Bosnian peace plan
Winter will not wait for more delays
Page 13

Gothic corridors
Whiff of scandal hits the world's oldest bank
Page 12

Running faster
Stuttgart victories a leg-up for Puma
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TOMORROW'S **Weekend FT**
In search of a vanished Jewish community

FINANCIAL TIMES

Europe's Business Newspaper — FRIDAY AUGUST 27 1993 — D8523A

Bundesbank key interest rates remain unaltered

The German Bundesbank maintained its monetary policy and refused to cut its most important interest rates in spite of expectations by the financial markets. In a renewed show of determination to take a long-term view of inflation prospects and the growth of money supply in the German economy, the central bank council left its discount rate at 6.75 per cent, and the Lombard rate at 7.75 per cent.

Economists in Paris said the decision could delay reductions in French interest rates. Page 14; Editorial Comment, Page 13; Lex, Page 14

UK recovery hopes: Hopes that the UK's economic recovery may prove lasting were boosted by news that UK manufacturers' order books are at their best levels for 3½ years. Page 14

Babangida makes way for new ruler:

General Ibrahim Babangida stepped down as Nigeria's military ruler and installed a non-elected administration of civilians and soldiers, in which the military is expected to remain strong. It remained unclear what role may be played by Gen Babangida, who seized power in 1985. Chief Ernest Shonekan (left), head of the outgoing administration which served under Gen Babangida, was named as head of Nigeria's interim government. Page 14

Bosnian factions vote: The assemblies of the three factions fighting in Bosnia vote today on the proposal to divide their republic put forward last week by Lord Owen and Mr Thorvald Stoltenberg, international mediators. Page 3

Reuters shareholders have flocked to take advantage of the international news and information group's special £350m ($518m) share buy-back offer. Page 15

Chemical groups gloomy: Two of Europe's biggest chemical companies, both German-based, warned that there is no prospect of economic recovery in Europe this year. Profits at BASF fell by 51 per cent in the second quarter to DM245m ($142.4m), while Bayer expects earnings to drop 20 per cent to around DM2bn ($1.1bn) this year. Page 15; Details, Page 17

Sweden jolted by IMF report: Sweden's centre-right government was jolted by a leaked report from the International Monetary Fund which said its plans for cutting the country's huge budget deficit was inadequate. Publication of the report in a newspaper prompted a slide in the Swedish krona and a rise in interest rates. Page 3

Russian options for CIS: Russia is offering members of the Commonwealth of Independent States a choice of three options for economic relationships and co-operation. Page 3

Continental, the German tyre maker, saw earnings slide for the first half, with net profits at DM31.3m ($18.5m) compared with DM118.7m year on year. Page 15

Brazil telecoms chief faces quiz: The president of Telebrás, Brazil's state telecommunications company, has been called to testify before Congress, to explain allegations that his former finance director attempted to extort $15m from Merrill Lynch, the US securities house. Page 4

Taiwan jet talks continue: Talks on rescuing the proposed regional jet joint venture between British Aerospace and Taiwan Aerospace Corporation splintered into a series of meetings largely among Taiwanese officials over the details of a draft deal. Page 6

NEC, the Japanese electronics group, has downgraded forecasts for pre-tax profits for the year ending next March to Y30bn ($283m) from Y50bn, citing prolonged weakness in the Japanese economy. Page 17

Skanska and NCC, the two leading Swedish construction and real estate groups, reported sharply improved first-half figures. But they relied on gains from divestments and the absence of write-downs to compensate for the continued deterioration in market conditions. Page 16

Heineken, the big Dutch brewer, is recalling 3.12 million bottles shipped to eight countries in the last two weeks, because of fears that a fault in the glass could cause small glass chips to fall into the beer.

■ STOCK MARKET INDICES

FT-SE 100:	3079.2	(same)
Yield	3.73	
FT-SE Eurotrack 100	1298.46	(-12.47)
FT-A All-Share	1527.83	(+0.0%)
Nikkei	20591.76	(+70.31)
New York lunchtime		
Dow Jones Ind Ave	3644.27	(-7.82)
S&P Composite	459.55	(-0.58)

■ US LUNCHTIME RATES

Federal Funds:	3⅛%
3-mo Treas Bills: Yld	3.034%
Long Bond	101¾
Yield	6.119%

■ LONDON MONEY

3-mo Interbank	5⅞%	(same)
Liffe long gilt future:	Sep 112⅝	(Sep 112⅝)

■ NORTH SEA OIL (Argus)

Brent 15-day (Oct)	$17.03	(17.0)

■ Gold

New York Comex Dec	$370.8	(375.5)
London	$367.5	(371.25)

■ STERLING

New York lunchtime:		
$	1.5105	
London:		
$	1.5075	(1.4825)
DM	2.515	(2.5025)
FFr	8.8075	(8.6875)
SFr	2.215	(2.2)
Y	157.5	(155.5)
£ Index	80.7	(80.2)

■ DOLLAR

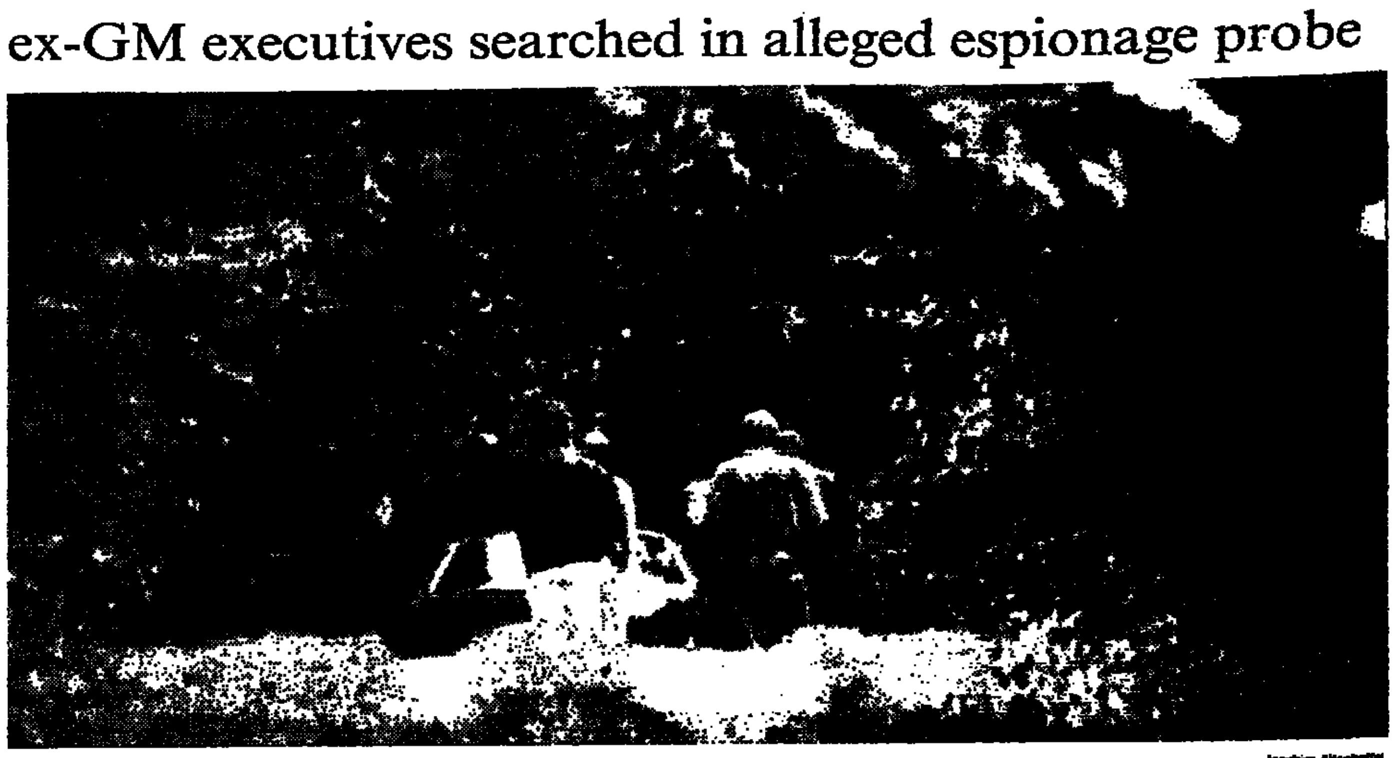
New York lunchtime:		
DM	1.6665	
FFr	5.8295	
SFr	1.4667	
Y	104.5	
London:		
DM	1.668	(1.688)
FFr	5.8425	(5.86)
SFr	1.4685	(1.4845)
Y	104.4	(104.9)
$ Index	65.5	(65.8)

Tokyo close Y 105.15

Austria	Sch30	Germany	DM3.30	Malta	Lm0.60	S.Arabia	SR11
Bahrain	Din1.250	Greece	Dr300	Morocco	MDh13	Singapore	S$4.10
Belgium	BFr65	Hungary	Ft185	Neth	Fl 3.75	Slovak Rp	KSL45
Bulgaria	Lw25.00	Iceland	IKr215	Nigeria	Naira45	Slovenia	SLT220
Croatia	HRD5700	India	Rs40	Norway	NKr16.00	South Africa	R12.00
Cyprus	C£1.00	Israel	Shk5.50	Oman	OR1.50	Spain	Pta210
Czech Rp	CZK45	Italy	L2700	Pakistan	Rs35	Sweden	SKr15
Denmark	DKr15	Jordan	JD1.50	Philippines	Pso45	Switz	SFr3.20
Egypt	E£4.50	Kuwait	Fils 600	Poland	Zl 22,000	Syria	S£50.00
Finland	FM12	Lebanon	US$1.25	Portugal	Esc215	Tunisia	Din1.250
France	FFr9.00	Lux	LFr65	Qatar	QR12.00	Turkey	L8000
						UAE	Dh11.00

Headquarters and homes of ex-GM executives searched in alleged espionage probe

Police raid VW head offices for Opel data



Police load papers into a car at the rear of Mr López's house yesterday. VW's head offices and the homes of four of its executives were raided

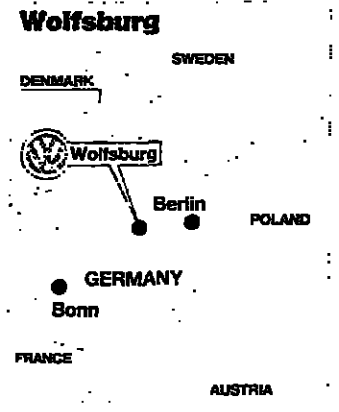
Joachim Altschaffel

By Christopher Parkes in Frankfurt, Judy Dempsey in Wolfsburg and Quentin Peel in Bonn

MORE than 60 police and criminal investigators yesterday raided Volkswagen's head offices and the homes of several VW executives to search for secret data allegedly stolen from Adam Opel, the General Motors German subsidiary.

At 9.30am, search squads simultaneously entered eight separate locations in and around Wolfsburg in the most dramatic move yet in four-month-old investigation into allegations of industrial espionage against Mr José Ignacio López de Arriortúa, VW's production director, and three colleagues.

Wolfsburg



The residences of the four men, all of whom abruptly joined VW from the US group last March, are understood to have been among the targets. Also searched was the VW management institute in Braunschweig, close to the company headquarters in Wolfsburg, and the group's official guesthouse.

Around 20 public prosecution officials, an unknown number of officers from the federal criminal bureau and 40 police from three municipal forces are believed to have taken part.

The search had been suspended by 19.30 last night, but officers were due to return this morning, a VW spokesman said. He had no information on any material which might have been removed.

The raid is the most significant development made known publicly since confirmation in mid-July that secret Opel documents, some allegedly assembled at Mr López's instructions, had been found in the former home of two of his associates. Speculation grew yesterday that Mr López might be forced to quit.

In a newspaper interview yesterday, Mr Klaus Liesen, head of the group's supervisory board, backed away from former statements implying unconditional backing for Mr López. "I will put my hand in the fire for no-one," he said.

Yesterday's search comes at a delicate moment in efforts by Mr Günter Rexrodt, German Economics minister, to broker peace talks between Mr Piëch and Mr David Herman, Opel chairman.

The minister was due to meet Mr Herman at Frankfurt airport last night, when he was expected to present the Opel chief with a draft public apology from Mr Piëch for insinuations made by the VW head and colleagues against the GM group.

Mr Franz Wauschkuhn, Mr Rexrodt's spokesman, said yesterday that the government had no interest in the legal issues, "but we must think beyond the immediate situation to the longer term".

The minister was worried because of potential damage to relations between US and Germany. "A way must be found for them to work together sensibly . . . Asian competitors must be rubbing their hands," Mr Wauschkuhn added.

VW's public relations team appeared relaxed and well-rehearsed as the raid took place. Several said they had been expecting a search, and welcomed it as a step likely to end the speculation about Mr López.

Mr Ferdinand Piëch, group chairman, was out of the plant at the time of the raid, rumours about which had circulated for almost two weeks.

Mr Georg Nauth spokesman for the Darmstadt public prosecutors' office in charge of the criminal investigation, said the office had needed time to question witnesses and examine further evidence to pinpoint the data to be looked for and the most likely places for it to be found. It was unlikely that statements would be issued immediately on any possible evidence uncovered.

Mr Nauth said as well as interrogating junior VW employees, who allegedly fed Opel data into the VW database, the prosecutor in charge of the case, Ms Dorothea Holland, had also questioned Mr Carl Hahn, former VW chairman. Mr López and his associates had not yet been interviewed.

LOPEZ AFFAIR: Page 2

- ■ Competitors watch 'miracle man' self-destructing
- ■ Shy investigators relish the limelight
- ■ Good PR helped GM chief outshine rival

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- ■ VW unlikely to break even

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Police convoy surprises workers of Wolfsburg

By Judy Dempsey in Wolfsburg

THE WORKERS at Wolfsburg, Volkswagen's home town, did not know about the plainclothes police and lawyers who arrived in convoy at the giant factory yesterday morning.

They did not see, or hear the seven vehicles - two Volkswagen mini-vans and five Opel saloons - which just before 10am snaked along the wide, tree-lined entrance to VW's 13-storey administrative block.

"Sure, we knew about all the rumours. But they raided the place today? Wow, that's a big surprise! Well, well," exclaimed Mario, a 24-year-old VW technician. Mario's parents came to Germany from Italy as immigrant workers in the late 1950s.

In the Tunnel Schänke pub, the men smoking and drinking in the long, narrow building close to the factory gates, barely believed it.

"You're joking. You mean to tell us that the police are on the 13th floor [where directors' offices and VW lawyers are based]. Here at VW," asked Mr Martin Liesner, an engineer at VW for 20 years. "But what do they want?"

Everyone in Wolfsburg either works for VW or knows someone who works there. In fact more than 54,000 of the town's 130,000 population works there. "Wolfsburg is Volkswagen," local officials say.

"It is fair to say that a member of each family has at some time over the past 50 years worked here," said an official at the mayor's office.

With local unemployment at around 8 per cent, the town's workers want the affair over. "López is our hope," said Mr Liesner, "he can make Volkswagen competitive, he can give us security."

Mr Lutz Schilling, VW's director of communications, explained: "It is not only affecting the 13th floor. They are also checking out the marketing and management institute [a building close to VW's private houses] and some guest houses," all of them in the centre and suburbs of Wolfsburg.

VW's legal department is on the 13th floor. So is Mr José Ignacio López de Arriortúa's office. "From there, Mr López has a view, and a vision" said Mr Schilling, adding that Mr López was "working all day" yesterday.

"Actually, this raid is not a surprise," he added, with commendable sang-froid. "We were expecting it to take place sooner. At least it will clear the air. We will help the investigators in any way. This will end the speculation." But he conceded: "This is not a fine day for anybody."

"You ask me what is behind all this?" Mr Schilling said. "Well, the fact that López left the number one car manufacturer in the world... it was a shock for them." He added: "We are happy to have López. He is the best manager in the field, the state prosecutors will give a complete picture at last."

Fall in sales hits Europe's carmakers

By Kevin Done, Motor Industry Correspondent, in London

VOLKSWAGEN and Renault, two of Europe's leading volume carmakers, yesterday announced a dramatic deterioration in their financial performances following the steep fall in west European new car sales this year.

Volvo of Sweden, which is expected soon to complete a full merger with Renault, achieved a modest return to profit, however, after suffering heavy net losses in 1990 and 1992 and operating losses in 1991 and 1992.

Renault, the French state-controlled car and commercial vehicle maker, said its pre-tax profits had plunged by almost 90 per cent in the first six months this year to only FFr730m ($125m) from FFr5.4bn in the same period a year ago.

It warned that it saw "no sign of recovery in the European market for cars and commercial vehicles," and said that it would have to scale down production in the second half to match demand.

Volkswagen, the beleaguered leader of the European car industry, confirmed yesterday that it

Continued on Page 14

Kohl hints he may back France over farm trade talks

By Quentin Peel in Bonn

IN an extraordinary gesture of Franco-German solidarity, Chancellor Helmut Kohl yesterday hinted strongly that he was prepared to back France in seeking new concessions from the US on farm exports.

His words were immediately welcomed by French officials as a vital move to break the deadlock on farm trade in the Gatt negotiations.

However, this caused alarm and confusion in several German ministries. A senior official in the chancellor's own office insisted that he was not calling for formal renegotiation of last year's crucial EC-US agreement on dismantling farm trade subsidies.

Mr Kohl declared his support for a compromise on the so-called Blair House agreement on farm trade as part of a passionate restatement of his commitment to the Franco-German alliance as the driving force of European integration.

Speaking after two hours of talks with Mr Edouard Balladur, the French prime minister, he said both sides were committed to giving Europe a new impetus and both were committed to the timetable for eventual economic and monetary union.

The meeting is the first at the top level since the currency upheavals of July caused the collapse of the exchange rate mechanism, prompting harsh words from Paris blaming Germany in general, and the strict monetary policy of the Bundesbank in particular, for the crisis.

There were no harsh words yesterday, with both Mr Kohl and Mr Balladur declaring their closest possible co-operation as beyond doubt or possible disruption. Yet no one had expected Mr Kohl to go further in support of France's determined opposition to the EC-US farm trade deal.

"We have also got problems with the agricultural part of the negotiations, with the Blair House agreement," Mr Kohl declared. Pressed to explain if he was calling for renegotiation, Mr Kohl said: "We must find a compromise acceptable for everyone. The Blair House agreement as it stands has some problem areas for us as well . . . It is in the interests of Germany to arrive rapidly at an agreement, and naturally a reasonable agreement."

Any suggestion of a renegotiation of that painful compromise

Continued on Page 14
Paris comes to terms with new monetary order, Page 3

CONTENTS

NEWS: VW AND THE LOPEZ ESPIONAGE AFFAIR

The raids yesterday by German police and prosecutors on Volkswagen's headquarters and other facilities in Wolfsburg marked an extraordinary day in the history of the German car industry. Officials in Bonn did not hide their concern over the potential political and economic damage which could ensue from the battle "between two great German car companies". **Christopher Parkes** examines the personalities and issues in what one German judge said could be 'potentially the biggest-ever case of industrial espionage'.

Shy investigators relish the limelight

THE PROSECUTORS

IT TOOK almost two months and a jump-start for German public prosecutors to get down to the real work of investigating Adam Opel's suspicions of theft and industrial espionage against Mr José Ignacio López de Arriortúa and several of his colleagues.

But as yesterday's raid in Lower Saxony demonstrated, things have moved on apace since then.

Opel first laid its suspicions before the economic crimes division in the Darmstadt prosecutors' office at the end of April. It followed up as requested with more information and written sworn testimony from Opel employees in nearby Rüsselsheim and GM staff in Detroit, documenting allegations of systematic data collection.

In the meantime, Ms Dorothea Holland, the investigator in charge of the case, took a holiday.

Even when she returned, Opel was frustrated by the lack of apparent movement, although the nature of criminal investigators' work – in Germany as elsewhere – militates against transparency. However, after a little judicious prompting through the good offices of the Hesse state justice ministry in late June, Ms Holland and her team had their heads down and have had them down since.

What a German judge recently described as "potentially the biggest-ever case of industrial espionage" and what is persistently proclaimed a "unique" probe in local media reports, has clearly caught the imagination of the office's 70-odd investigators.

Accustomed to a low profile and little media interest, they now seemingly welcome the attention. Mr Georg Nauth, a senior prosecutor and spokesman for the team, has become a common sight on television.

He, too, has polished up his act after an uncertain beginning. He even appears to have bought a new tie. Although his repertoire of rigorous "no comments" and occasional drip-fed details remains the standard fare, he seems to enjoy mildly teasing clamorous journalists, and is not afraid of speaking his mind.

See Lex, Editorial Comment. VW results, Section II

It was specifically in response to the clamour that he issued an explosive press release in late July. This revealed that documents which should have been restricted to the top management of General Motors and its German subsidiary, Adam Opel, had been found – "where they did not belong", Mr Nauth noted – in boxes left in a house, apparently by colleagues of Mr López who had followed him to VW.

The VW production director was also declared to have had a direct connection with some of the other data.

Charges from Mr Ferdinand Piëch, VW chairman, that the statement was one-sided – on the grounds that only Opel people had been asked to identify the data – were rejected by Mr Nauth as "incomprehensible". Why, he wondered, would anyone ask Opel's arch-rival to identify what seemed to be secret Opel property?

Meanwhile, his press statement noted, the probe would continue with particular emphasis on the interrogation of VW employees. Since then, Mr Carl Hahn, former chairman of VW, Mr Daniel Goeudevert, a recently-ousted board member, and Mr Klaus Liesen, head of the VW supervisory board, have been to Darmstadt.

But the most promising recent witnesses appear to have been far more junior employees, including computer operators who might have inserted Opel data into the VW system.

Ms Holland has remained throughout unapproachable and silent. But Mr Nauth, separated from the central investigation by a "Chinese wall", continued to spice his permitted briefings with his own commentary.

Just over a week ago, for example, when VW was launching its own private investigation of its files and data bases, he appeared almost scornful. The prosecutors' office was in possession of more information than was available to independent auditors. It also had more powers. The VW team could not question sworn witnesses, nor could it confiscate documents, he said.

The prosecutors demonstrated some of these powers in yesterday's swoop. Mr Nauth, meanwhile, leaves for holiday today heading for a Tunisian beach with a good book.

VW DOSSIER

López (left) and Piëch at the company's financial press conference, Wolfsburg, 31 March, 1993

JOSÉ IGNACIO LÓPEZ DE ARRIORTÚA
VW production director

The metamorphosis of López into Superlópez, as he is known in his native Basque country, started in 1980 when he left Firestone to join General Motors in Spain. At 39, the workaholic engineer was able to test what has become the core tenet in his management philosophy: the systematic elimination from manufacturing of all processes which did not add value.

In 1986, as purchasing director for GM Spain, he decided that in-house cost-savings methods should also be applied to parts suppliers. He would go into their factories and offer them advice.

As one was to note: "When López tells us he will offer us a hand, I always think of my throat." His transformation into "the strangler" and his rapid rise through GM were under way.

He joined Adam Opel's main board in Germany in 1987, was appointed central purchasing chief for GM Europe a year later, and moved to the parent board in Detroit in January, 1992.

In the meantime, he was combining all his accumulated knowledge and experience in Plateau 6, his planned "dream" super-lean production plant, in which cars would be assembled from modules in less than half the time taken in the best Japanese works.

He even had a site and outside funding for Plateau 6 in his birthplace in Amorebieta. GM demurred and lost Superlópez to Volkswagen.

FERDINAND PIËCH
VW chairman

"I was born a domesticated pig but live the life of a wild boar," Piëch says of himself. It is his way of saying that, despite his birthright of privilege and immense wealth, he lives like a normal man: "High living holds no joy for me."

He is the grandson of VW "Beetle" inventor Ferdinand Porsche, and started his career in the family luxury sports car company, of which he owns 10 per cent.

The 56-year-old engineer is father of 12 children. But he reserves his pride, in public at least, for his technical achievements.

Refused the chairmanship of Porsche, he joined Audi, the VW subsidiary, in 1972 as head of special development projects. He was responsible for the brand's innovative integrated passenger security system, Procon-ten, and the development of permanent four-wheel drive.

Piëch became Audi chairman in 1988 and raised the profile of the marque to match that of BMW and Mercedes-Benz. He also made a reputation as a loner and a hard cost-cutter. Audi's return on sales rose from almost nil to 6 per cent, and the company became VW's most profitable subsidiary.

In charge of the group since January this year, he claims already to have DM8.7bn-worth of cost-savings "in my pocket". He says DM700m of that is due to the work of López, "my soul mate".

Background briefing

1992, NOVEMBER
Piëch meets López, recently-appointed vice-president for procurement for GM in Detroit and former head of purchasing at Adam Opel, GM's German subsidiary.

Piëch tries to persuade López to join him at VW.

1993, JANUARY
GM "puts on ice" López's plan to build "dream factory" in his Basque homeland.

FEBRUARY
López meets a VW director to discuss "possible" employment terms. Lower Saxony government, which owns a stake in VW, says López will join VW next month; he denies this.

MARCH
López signs VW contract and flies to inform GM in Detroit. VW announces appointment, but, after discussions with GM, López agrees to stay on there. GM wants López to sign five-year contract, but, according to a VW executive, he is "very unhappy". He flies to a meeting with Piëch, is taken to a VW board meeting and formally appointed. In Detroit, GM searches the offices of López, and a close colleague's; GM executive signs affidavit saying none of the secret and confidential documents GM believes are in the men's possession was found. Six GM/Opel executives also jump ship, turning up at VW without, according to López, contracts or job offers.

APRIL
GM writes to López seeking unequivocal statement on GM/Opel documents it says are missing. López replies that neither he nor colleagues took any secret documents nor had any now.

Opel asks public prosecutors to investigate possible theft and industrial espionage.

MAY
López denies bringing any secret documents to VW, but prosecutors say they have enough information to launch a criminal investigation.

JULY
US Justice Department starts own investigation. López appears to contradict earlier claim he never took any documents but tells board any such documents were destroyed

AUGUST
Opel welcomes "belated" admission documents had been destroyed but points out that investigations also involve allegations of theft, fraud and perjury.

German economics minister Rexrodt holds a series of meetings with heads of Opel and VW, but says this is for information, and not mediation.

VW appoints auditors to carry out independent investigation. Police raid eight locations, including VW HQ at Wolfsburg, in search of evidence over industrial espionage allegations.

VW supervisory board

CAPITAL SIDE		LABOUR SIDE	
Industry and finance			
Klaus Liesen, chairman: chairman of Ruhrgas board of management	**Rolf Diel:** chairman of Dresdner Bank supervisory board	**Franz Steinkühler, deputy chairman:** former leader of the Metalworkers Union	**Josef Bauer:** Audi works committee member
Carl Hahn: former chairman of VW board of management	**Walther Leisler Kiep:** general partner of Gradman & Holler	**Gerhard Kakalick:** VW works council member, Kassel plant	**Albert Hoffmeister:** VW senior manager
Otto Lambsdorff: former German economics minister; president of German stockholders' association	**Günther Sassmannshausen:** member of Preussag supervisory board	**Jann-Peter Janssen:** chairman of VW works council, Emden plant	**Klaus Volkert:** chairman of the group and joint works councils, Wolfsburg plant
Friedrich Schiefer: member of Robert Bosch board of management	**Ulrich Weiss:** member of Deutsche Bank board of management	**Siegfried Schlonowski:** chairman of VW works council, Hanover plant	**Bernd Sudholt:** deputy chairman of the group and joint works councils, Wolfsburg plant
Political		**Albert Schunk:** international department head of Metalworkers Union executive committee	**Wilhelm Hemer:** secretary to Metalworkers Union executive committee
Gerhard Schröder: prime minister of Lower Saxony	**Walter Hiller:** social affairs minister of Lower Saxony		

VW board of management

Ferdinand Piëch: chairman

José Ignacio López de Arriortúa: production optimisation and procurement

Werner Schmidt: controlling and finance

Jens Neumann: group strategy, organisation and systems

Martin Posth: Asia and Pacific

Peter Frerk: Legal matters, government relations, auditing and economics

Juan Antonio Díaz Alvarez: chairman of Seat board of management

Good PR gives GM chief the edge

THE 'VICTIM'

THE patch of calm at the eye of the storm seems to suit Mr David Herman, chairman of Adam Opel, the German subsidiary of General Motors.

From his office in Rüsselsheim, near Frankfurt, little seen and seldom heard, he has conducted his company's campaign in the López affair with a conviction and consistency in striking contrast to the chaotic style of his Volkswagen counterpart, Mr Ferdinand Piëch.

Legal training embellished with a bit of New York street wisdom gained in childhood has given him an edge in the fracas over Mr Piëch, the engineer from Vienna. He has a mild, relaxed manner. Mr Piëch is tense and cold.

Mr Herman's standpoint has not wavered from the start of the affair this spring, when it became known that Opel had registered with the German public prosecution service its suspicions of the theft of thousands of items of secret data by Mr José Ignacio López de Arriortúa and several colleagues who followed him from GM to VW.

His often-repeated statement "They had our documents. We don't have them now, and they say they don't. Then where the hell are they?" colourfully encapsulates Opel's case.

Reporters from the magazine, Der Spiegel, have been allowed a long leash and granted considerable access from the top level to Opel and General Motors employees and property. Starting in May, revelations and claims in the news weekly – many since strengthened or largely substantiated – have played a key role in Opel's strategy.

They have kept the public prosecutors on their toes. But more important, the magazine's reports are the source from which German popular and political belief in Opel's integrity and motives have grown steadily as the case has progressed.

Skilful public affairs management is not common or even much-valued in German industry. This is a failing which Mr Piëch and Mr Klaus Liesen, the worried chairman of his board of supervisors, have regretfully acknowledged in the past few weeks.

While Mr Herman may be satisfied with his team's PR efforts, he has been hurt and shocked by the reaction. He said at the outset that he expected Opel and General Motors to be attacked. But his liberal American mentality was not prepared for repeated claims from Mr Piëch and Mr Gerhard Schröder, the prime minister of VW's home state of Lower Saxony, that this was a commercially-motivated attack by a "foreign" company on Germany's finest. Adam Opel has been established for 130 years in Germany and provides and supports 400,000 jobs. Nor was Mr Herman, the lawyer, impressed by suggestions that he was using the law, out of pique, as a weapon in a personal attack on Mr López.

"Inaki" López was once a close colleague. They met first in the late 1970s when both worked for GM in Spain, where both were given their first real chance to prove themselves in business. Spain, where he met his wife, Mr Herman readily admits, "is associated with all the best things that ever happened to me".

Germany, where he has been in charge of Adam Opel for just over a year in the middle of what Mr Piëch describes as the worst motor industry crisis since the war, has some way to go to match that.

German police enter the VW headquarters early yesterday

Rexrodt is caught up in an inter-family squabble he believes has gone too far

Peace plea fails to catch the mood

THE MINISTER

MR Günter Rexrodt, the German economics minister, was due to have a parental chat with Mr David Herman, Opel chairman, at Frankfurt airport last night.

At the end of a day of extraordinary events at Volkswagen headquarters, he was seeking, as he has for the past week, to defuse the clash between Mr Herman and Mr Ferdinand Piëch, VW chairman.

"We say it is unique for two great German motor companies to be fighting like this in public," the minister's spokesman said yesterday. "He concluded we must do something because it seems in this case that there is such human friction, we must bring people to more reason."

It was the minister's job to try to prevent damage to political and business relations between the US and Germany, his spokesman added.

It has been suggested for some weeks by lowlier politicians and business leaders that the clash over the alleged theft of Opel data and suspected industrial espionage could well cause the sort of damage Mr Rexrodt now fears.

But it was only a week ago, after a call from Mr Piëch, that the minister acted. His attitude appears to be that there is a inter-family squabble going on, and his job is to shut the quarrelsome children in separate rooms and try quietly to talk some sense into the parents.

Opel has said it will be prepared to exchange letters with VW provided public apologies are forthcoming from the other side. It wants a withdrawal of remarks suggesting that the US-owned company is spearheading an American campaign to undermine the German motor industry and that it planted evidence prejudicial to criminal investigations.

But while the probe continues at its heated pace, tempers are hardly likely to be cool enough for a reasonable, let alone a useful exchange between the two sides. Nor is Opel, which appears so far to have the best hand, likely to want to be seen talking publicly. Any rapprochement could be interpreted as a sign of weakness. The three-way contacts, supposed to be held in secret, have been routinely followed by heartening press releases from Mr Otto Wachs, a Volkswagen spokesman.

Nor has Opel been pleased by statements attributed to Mr Rexrodt to the effect that he wanted the case settled in the civil courts.

While the minister probably appreciates that the criminal case is entirely out of Opel's, VW's and political hands, his initiative came late in the day. That it followed Mr Piëch's widely criticised insinuations against Opel, which were in turn followed by an abortive attempt by the VW chief to open peace talks, could leave Mr Rexrodt open to suggestions that he may not be acting altogether with the common good in mind. Opel, which has stuck rigorously to its claim that it has reasonable grounds for suspicion – confirmed by public prosecutors – might reasonably ask why no political initiatives or support were forthcoming when it first declared itself the injured party. The substance of its suspicions is that former employees decamped to VW in possession of virtually all its business strategy for the next 10 years.

"A way must be found for them to work together sensibly ... their Asian competitors must be rubbing their hands," said Mr Rexrodt's spokesman. "US and European companies should co-operate to resist Asian dumping."

That seems more an issue for Mr Rexrodt. There is already common ground between Mr Herman and Mr Piëch. Neither needs reminding of the Japanese threat, and both know that at some stage the bridges between their two groups must be rebuilt. But the best time is probably when the full extent of the local damage has been assessed, and last night seemed hardly suitable.

Fascinated rivals watch 'miracle man' self-destructing

Kevin Done uncovers the private thoughts on the VW affair in other boardrooms

THE INDUSTRY

VOLKSWAGEN'S rivals are watching with horrified fascination as the top management of the leading European car producer threatens to implode.

The group's components suppliers, who are bearing the brunt of Volkswagen's frantic attempts to cut costs, react vitriolically in private towards the new regime in Wolfsburg headed by Mr Ferdinand Piëch and Mr José Ignacio López de Arriortúa.

In public they are more circumspect. After all, Volkswagen is one of their biggest customers.

The fate of Volkswagen leaves no part of the motor industry untouched. It is the world's fourth largest vehicle maker, behind only General Motors, Ford and Toyota. For eight years in succession it has sold more cars in western Europe than any other carmaker and in the process has established a clear lead over its rivals.

It is the main European standard bearer in the world motor industry and Europe's best attempt yet at creating a global carmaker with manufacturing operations stretching from eastern Europe to Mexico and Brazil, South Africa and China.

In different parts of the world it has formed significant alliances with other giants in the industry, most importantly Ford in Latin America and Europe and Toyota in Europe and Japan.

It is a key customer of many of the world's leading components suppliers with purchases of parts and materials worldwide totalling DM53.8bn (£21.5bn) last year. The tremors from Wolfsburg travel round the world.

The unanimous view among rival carmakers and top suppliers is that Mr López cannot last much longer. And most are beginning to doubt that Mr Piëch will survive Mr López's departure. The credibility of both as the corporate leaders of one of Europe's biggest industrial concerns – whatever their abilities as engineers – is in tatters.

More important, beyond the personalities there is concern among suppliers about the symptoms of mismanagement and misguided strategic thinking that may be common to both VW and General Motors, Mr López's former employer, as they seek to put their respective houses in order through short-term miracle fixes from the messianic bearer of some new holy grail for cutting costs.

First the personalities. "I think López is a dead duck," says the chief executive of one of the world's biggest automotive components producers and an important supplier to Volkswagen. "I don't think VW can keep him. I think Piëch will go too."

> 'I think López is a dead duck,' says a supplier. 'I don't think VW can keep him. I think Piëch will go too.'

The head of a rival carmaker in Europe says of López, "the smartest thing would be to suspend him and wait for the prosecutors and the courts to finish their investigations.

"But Piëch thinks he needs López to help to turn VW round. Piëch is a zealot. He sees himself as the saviour."

Competing carmakers give Mr Piëch credit for having identified the causes of VW's underlying problems, but not for his autocratic management style, which is seen as rule through fear.

"He has identified the main areas that need fixing," says one chief executive. "Their costs are too high, they have too many people, their plants are over-facilitised, they have too many costs in Germany, and their material costs are not competitive.

"But you cannot just order it to be done. It needs a softer touch. You have to take more people along with you. VW is still a magic marque and they have reservoirs of technical ability."

The chief executive of another carmaker in Europe remains astonished at the size of the reported financial package given to Mr López and the impact that will have inside VW and outside in the industry. "For that money you are paying a miracle worker. Then his colleagues will say, you are paid to work miracles, you fix it."

Among some of the biggest components suppliers there is also concern at the way in which first General Motors, and now Volkswagen are trying to batter down their purchasing costs.

The rhetoric in the industry is all about reform of the old adversarial relationships between the vehicle makers and their suppliers.

Some have taken the reforms seriously, forming long-term relationships with key suppliers, giving the suppliers responsibility for research and development but also giving lifetime contracts building on shared continuous improvement. Chrysler is now the shining example for the success of this approach.

The López approach is seen by suppliers as having the same rhetoric, but in reality the old approach is unchanged.

"There is shock and confusion at suppliers. We have contracts where we have spent millions of D-Marks, where we have shaken hands, but where there were no formal signatures. And López came in and said he was putting the business out for new tenders.

"López got carried away with himself in the US, he was given the role and mantle of saviour," says a chief executive in the components industry.

"Both VW and GM must now act to regain the confidence of their suppliers. Their approach hurts, because suppliers cut corners, they will not invest for the vehicle makers. There will be recalls, assembly lines shut down and customer dissatisfaction."

In the bare-knuckle fight with GM over Mr López and industrial espionage, Mr Piëch has cast himself as the saviour of the European car industry, but his performance to date has won few converts among his peers.

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Germany to tighten curbs on far right

By Ariane Genillard in Bonn

MR Manfred Kanther, Germany's interior minister, yesterday pledged to step up surveillance of far-right organisations as the number of racist crimes was reported to have risen dramatically last year.

Crimes committed by far-right groups increased by 70 per cent in 1992 to 2,584, of which 17 led to deaths. More than 90 per cent of the violence was directed against foreigners, the office for the protection of the constitution, the German internal security agency, said in its annual report. The wave of politically-motivated violence is continuing this year, with 1,300 crimes reported in the first six months.

The number of people joining far-right organisations rose by 2,000 to nearly 43,000 last year. Members were spread in 82 groups, as compared with 76 the year before.

Mr Kanther said the security services would intensify their surveillance of groups from both the far right and the far left. But he stressed that police and legal actions should be combined with social and educational measures to prevent more youngsters from joining existing far-right organisations.

Mr Kanther blamed the media for showing violence on television and called on municipalities to take measures to get young, jobless people "off the streets".

Such words are likely to provide little comfort to organisations which have been lobbying for tough action to crack down on far-right violence.

Leaders of the local Turkish community, whose members have been regularly singled out for murder attempts, have been calling for a strict anti-discrimination law as well as bans on extreme political organisations. They say that the conservative government has been reluctant to investigate the links between the aggressors and far-right political groups.

The federal Interior Ministry last year banned three of the 84 existing far-right groupings in Germany.

Legal suits have also been brought against two of their leaders for abusing the freedom of expression guaranteed in the constitution.

Mr Kanther said bans were a last resort. He added that no new law was needed but that the existing legal framework should be improved. Measures proposed by the government aim to facilitate police investigations and to introduce higher penalties for people obstructing the judiciary.

Far-left groupings increased their membership by 2,000 last year to 28,500 members.

Reuter

The UN under secretary-general for peacekeeping, Mr Kofi Annan, entering the Bosnian presidency building in Sarajevo yesterday for a meeting with President Alija Izetbegovic

Bosnian peace plan awaits final Moslem verdict

By Laura Silber in Belgrade and Michael Littlejohns, UN Correspondent in New York

THE future of the peace plan for Bosnia today hangs in the balance as the three ethnic assemblies vote on a proposal to divide their republic.

The Bosnian parliament was seen as holding the most crucial vote as Serb and Croat assemblies were likely to back the plan after endorsement by their leaders. Mr Alija Izetbegovic, Bosnia's president, has already said he could not support the proposal which leaves the mostly Moslem republic with disjointed landlocked territory.

Bosnia's Serb, Croat and Moslem leaders are due to return to Geneva next week to deliver the verdicts of their parliaments.

Deputies to the Serb assembly yesterday met behind closed-doors in Pale, their mountain stronghold outside Sarajevo, amid reports of complaints that Serb leaders had given too many concessions to their rivals.

The proposed map, put forward last week by Lord Owen and Thorvald Stoltenberg, international mediators, in an attempt to end the 17-month war gives Serbs about 54 per cent of territory, Croats 17 per cent, and Moslems some 28 per cent.

In a move to consolidate his control over the Yugoslav army, Serbian President Slobodan Milosevic yesterday sacked 42 generals, including chief-of-staff, General Zivota Panic. He will be replaced by Gen Momcilo Perisic, age 49, who was promoted to that rank during the Croatian war. He drew widespread criticism from western diplomats in April 1992 for ordering intense bombardment of the south-western town of Mostar, now consumed by Croat-Moslem clashes.

The European Community yesterday said it would study how it can help administer Mostar provided Bosnia's warring parties accept a Geneva peace deal.

The carefully worded statement, issued through the Belgian presidency, avoided any final commitment to the idea announced by Lord Owen last week that the EC should take charge of administering Mostar for two years.

In New York, it was announced last night that Mr Thorvald Stoltenberg, the UN special envoy, and Gen Jean Cot, force commander, had ordered an investigation into allegations of "improper conduct" by UN troops and civilian personnel in former Yugoslavia.

This was focusing on Sarajevo where some UN soldiers and civilians are alleged to have trafficked in drugs and engaged in black marketeering and a prostitution racket.

UN chief to warn Nato on troops

By Michael Littlejohns at the UN, New York

MR Boutros Boutros Ghali, the UN secretary general, is expected to tell Mr Manfred Wörner, the secretary general of Nato, that the UN will be unable to provide the estimated 40,000 additional peacekeepers needed to enforce any Bosnia settlement because of lack of funds.

Mr Boutros Ghali will meet Mr Wörner in Geneva next Monday, when talks between the warring parties are scheduled to resume. Mr Boutros Ghali has already given this message to Mr Thorvald Stoltenberg, his representative in the peace talks.

Also, the secretary general believes the proposed number would be unacceptable to the UN Security Council, although it is substantially lower than the 50,000-75,000 troops envisaged in an earlier, now defunct, plan drafted by Mr Cyrus Vance and Lord Owen.

Despite personal appeals to government leaders, the secretary general has been unable to obtain more soldiers to bring operations in Somalia, former Yugoslavia and elsewhere up to strength.

Some troop contributors have been waiting 10 years for payment.

Mr Boutros Ghali warned members recently that if he did not receive new funds soon the UN would be bankrupt by the end of this month.

Paris comes to terms with new monetary order of the ERM

Hybrid policy found for franc

By John Ridding in Paris

FRANCE'S political and financial leaders have been tight-lipped about the direction of monetary policy in the three weeks since the European exchange rate mechanism was forced into humiliating reform.

However, remarks by Mr Edouard Balladur, the French prime minister, that France is in no hurry to return to the narrow fluctuation bands within the ERM suggest the French government is coming to terms with the new monetary order.

"It was a revealing comment," says Mr Christopher Potts, economist at Banque Indosuez in Paris. "It shows they are following a hybrid policy which is neither a free float nor a system in which interest rates are determined solely by the exchange rate."

Under the former system, the French franc could fluctuate by a maximum of 2.25 per cent from its central ERM parity. The currency crisis, however, broke the franc's close link with the D-Mark and forced the fluctuation band to be widened to 15 per cent.

The reform undermined the central plank of French monetary policy, a strong franc and the tight link with the D-Mark. It presented Mr Balladur and the French financial authorities with the question of how to manage monetary policy in the new European exchange rate environment.

Mr Balladur's comment points to some answers. "We must not return in all haste to the narrow band of currency fluctuations. Neither must we seek, or without seeking it, get to the point where the wide band is reached," the prime minister said.

The implication is that the French government is adopting a more pragmatic stance to exchange rate and interest rate policy. "Their boundaries are less rigid than before," said one French economist. "Interest rates have a slightly higher priority than before in guiding policy." For the French government, this stance has several advantages. It gives them room for manoeuvre in cutting interest rates to help stimulate the recession-hit economy. The removal of tight exchange rate targets also increases the risks for currency speculators – strongly attacked by Mr Balladur for causing the currency crisis.

But the government's response to the new European monetary order does not represent a radical shift in economic policy.

The currency will remain an important constraint on reducing borrowing costs and the prime minister has consistently ruled out a strategy of rapidly reducing borrowing costs as the British did after the pound was forced out of the ERM in September last year. "There are no miracle cures for our economic difficulties," said Mr Balladur on Wednesday, emphasising his continued commitment to anti-inflationary policies.

For interest rates, the result is likely to be a continuation of the policy of gradual reductions.

Overnight rates have been trimmed five times since the ERM reforms, bringing money market rates down to near pre-crisis levels. The 5- to 10-day rate and the intervention rate, which provides a floor for money market rates, remain unchanged at 10 per cent and 6.75 per cent respectively, but economists believe they, too, will be edged gradually downwards.

The pace of cuts will continue to be influenced by events in Germany. The refusal by the Bundesbank to cut interest rates yesterday may affect the timing of reduced borrowing costs.

However, it should not change fundamentally the process, and should drive home the arguments for a more independent approach to French monetary policy.

France expects the headquarters of the future European central bank to be located in Germany but wants it to be somewhere other than in the "powerful" financial centre of Frankfurt, the foreign minister, Mr Alain Juppé, said, Reuter reports from Paris. Mr Juppé told the newspaper La Croix that France agreed that Germany would win the bank's headquarters after European Community leaders decided last year to allow Strasbourg to remain home to the European Parliament. "We would prefer that it be in a city less financially powerful than Frankfurt."

IMF criticism jolts Stockholm

By Hugh Carnegy in Stockholm

SWEDEN'S centre-right government was jolted yesterday by a leaked report from the International Monetary Fund which said its programme to cut the country's huge budget deficit was inadequate.

Publication of the report in a daily newspaper provoked a slide in the value of the Swedish krona and a rise in interest rates.

The IMF report said it would prefer to see savings of SKr20bn (£1.65bn) a year, double the government's current plan to trim SKr10bn in spending.

The budget deficit stands at 16.5 per cent of gross national product, a level which the report said "dwarfs those in other industrial countries and provokes doubts about Sweden's commitment to low inflation".

The fund said its proposals would bring the budget deficit down to zero in 1998, compared with the government's target of 4.3 per cent.

Mrs Anne Wibble, the finance minister, defended her policies, saying they provided "the best balance" for Sweden, given the need for a return to growth next year after a three-year period of recession.

She pointed out that most domestic political pressure was for fewer cuts, not more. Nevertheless, markets reacted badly to the report of the IMF comments.

The krona slipped sharply despite intervention by the central bank.

On the foreign exchange market the D-Mark rose to Skr4.88, up eight ore since late Wednesday, then eased to Skr4.8680/30.

Global warming pact progresses

By Frances Williams in Geneva

THE INTERNATIONAL global warming treaty signed at the United Nations "Earth Summit" in June last year looks set to come into force ahead of expectations early in 1994, according to UN officials.

However, two weeks of negotiations in Geneva on the detailed implementation of the pact are due to end today without agreement on key issues such as finance and "joint implementation" – under which rich countries would gain credit for financing projects in poor states.

The framework treaty, signed by more than 160 nations, commits governments to curbing emissions of greenhouse gases which warm the earth's atmosphere. It has now been ratified by 31 nations, against 50 required for entry into force, and another 34 have said they will ratify this year.

The pact will not, however, be fully operational until final decisions on its functioning are taken by a conference of member states tentatively scheduled for early 1995.

The most contentious issue for the 146-nation Geneva negotiations, intended to pave the way for the 1995 conference, has been the criteria for "joint implementation". The idea is disliked by environmentalists who fear it will weaken the resolve of industrialised countries, the biggest producers of warming gases, to curb their own emissions. Supporters argue that it makes sense to start reducing global emissions where this can be done most cheaply and easily, which will often be in developing countries with low environmental standards.

On financing, developing countries are unhappy about the potentially dominant role of the Global Environment Facility run by the World Bank and the UN, which they see as an extension of western and World Bank interests.

Negotiators in Geneva, who will meet again next February, have also not yet agreed which countries will be eligible for financial help and which projects should qualify.

NEWS IN BRIEF

Efim's creditors may be repaid loans soon

CREDITORS to Italy's former Efim state holding company, put into voluntary liquidation in July 1992, could shortly be repaid half their loans, writes Haig Simonian in Milan.

Mr Alberto Predieri, the special administrator appointed to run Efim, said he had been authorised by the European Commission to begin repaying loans to the group's wholly-owned subsidiaries. Mr Predieri, who plans to meet Bank of Italy and treasury officials next Tuesday, said he hoped the repayments could begin next month. The remaining half of the loans is expected to be repaid by the end of the year.

Creditors have been waiting almost 14 months for reimbursement of their loans to Efim, which had total borrowings of about L18,000 (£7.6bn).

Danish shipyard subsidies

Danish shipyards will receive a DKr600m (£57.7m) subsidy package following an agreement yesterday between the industry ministry and key opposition parliamentary parties, AP-DJ reports from Copenhagen.

Unemployment in the Danish ship building sector has risen significantly in the last six months because of declining orders. The subsidy put forward by the government will take the form of loans at favourable interest rates for shipping lines ordering vessels from Denmark.

Yeltsin gesture on Prague '68

Mr Boris Yeltsin, the Russian president, yesterday signed separate friendship and co-operation treaties with the Czech and Slovak republics, writes Patrick Blum in Prague.

The treaties aim to set bilateral relations on a new footing and overcome memories of the Soviet-led invasion of the former Czechoslovakia in 1968.

EC inflation climbs two points

The annual rate of inflation in the European Community rose two points to 3.5 per cent in July from June's 3.3 per cent, the first rise in more than a year, Reuter reports from Brussels.

The Community's statistical office, Eurostat, said that the annual rate of inflation in the 12-nation bloc had fallen steadily since May 1992. In July last year it was already down to 3.9 per cent. The statistics office said last month's rise was primarily due to marked increases in inflation in Belgium, the Netherlands and Portugal.

Turkish central bank head

Turkey has appointed Mr Bulent Gultekin, a former advisor, to head the central bank, filling the first of a number of key positions made vacant since Mrs Tansu Çiller became prime minister in June, writes John Murray Brown in Istanbul.

Russians offer three economic options to CIS

By Leyla Boulton in Moscow

RUSSIA is offering members of the Commonwealth of Independent States a choice of three options for economic relationships and co-operation.

Mr Herman Kuznetsov, deputy head of the government committee which deals with commonwealth republics, said the first option was a10-year treaty providing for the gradual construction of economic union.

A fast-track agreement for "intensive economic integration" was a second option, now being envisaged only by the three Slavic neighbours, Russia, Ukraine and Belarus. This would be in the form of a common trading area without internal customs barriers and with a common currency.

It would also give Ukraine a "way out" of its indebtedness to Russia by providing for joint ownership of valuable Ukrainian refineries and other industrial installations starved of Russian raw materials.

A third option, which any commonwealth member could combine with either of the economic union treaties, was for a currency union.

This would create a new type of rouble zone which he compared to the *zone franc* operated by the Banque de France in some African countries.

Mr Kuznetsov explained that this menu of options, although complicated, was designed to help the CIS out of a rut whereby for the past 18 months all its members "had been equal but nothing had been achieved". Under the currency union plan, initialled so far by Russia, Kazakhstan, and Uzbekistan, countries would use the rouble as their national currency after adjusting their credit, budget, and monetary policies in line with Russia's.

War-ravaged Tajikistan had expressed a desire to join, while Belarus was still making up its mind. With this option, he said that the Russian government was trying to "make something useful" out of the central bank's invalidation of pre-1993 banknotes, with which it had tried to wean the republics off the rouble in one stroke.

Mr Kuznetsov acknowledged total currency union was the most difficult option to implement. It would take several months to establish but republics might view it as an assault on sovereignty.

● The Russian cabinet has rejected the resignation of Mr Sergei Glaziev, the foreign economic relations minister. Mr Glaziev had offered to resign over pressures from officials whose corrupt interests he said he had threatened.

Russia reduced gas supplies to Ukraine by more than a half yesterday over Kiev's failure to pay for previous deliveries, Reuter reports from Kiev.

Mr Tadei Mykhailevych, chief dispatcher at Ukraine's Ukrgazprom state utility, acknowledged that Ukraine had debts of more than Rbs600bn (£403m) for gas deliveries but said it was up to the two governments to deal with payments.

Uncertainty on return of Shonekan

By Michael Holman, Africa Editor

THE triumph of hope over experience may be the kindest assessment of Chief Ernest Shonekan's decision to accept the job as leader of Nigeria's interim government. The 57-year-old former industrialist and lawyer took on much the same duties when sworn in last January as chairman of the country's transitional administration, promising to revive Nigeria's lapsed structural adjustment programme.

Eight months later the economy is deep in crisis and few if any of the promises were implemented.

Mr Shonekan, one of the country's most respected businessmen, had been seconded from the chairmanship of United Africa Company Nigeria, the Unilever subsidiary, and drew heavily on the advice of the business community. The result was the 1993 budget – a ringing reaffirmation of the necessity of reform and the overriding need for prudent management.

"We must make some hard choices now to preserve the gains of the structural adjustment programme and restore some good measure of stability to the economy," said Mr Shonekan. But his administration failed to tackle fundamental issues notably managing the exchange rate, reducing the budget deficit and cutting subsidies on domestic petrol.

Hopes that Nigeria would reach an agreement with the IMF by August, which would allow rescheduling of the country's $34bn external debt proved to be wishful thinking.

Within weeks it became apparent that he lacked the authority to implement tough decisions. Senior officials complained that power continued to lie in the hands of President Ibrahim Babangida and the military.

Today, as in January, the challenge facing the new administration remains that of budgetary reform, and reducing a fiscal deficit averaging 7.7 per cent of GDP since the structural adjustment programme was launched seven years ago.

The new administration will also have to tackle what is perhaps the most sensitive issue of all: monitoring the export earnings of nearly 2m barrels of oil a day. As much as 200,000 barrels a day are not properly accounted for. Some of the proceeds are diverted into special accounts for military expenditure, the Ajaokuta steel project or spending on the yet to be completed federal capital of Abuja, and an undisclosed amount used as patronage.

Will the soldiers back the chief this time round? Mr Shonekan can point to one encouraging indicator: the decision earlier this week to raise domestic fuel prices ten-fold. But the government will be expected to put the budget blueprint into practice before agreement with the IMF can be reached. Such a track record would require at least six months before credibility is established. By then Nigeria, would be preparing for the re-run of presidential elections. At a time when continuity in policymaking is essential, Nigeria seems set for a further period of uncertainty.

US in dilemma on dealings with China

Can differences be contained or are the two sides closer to rupture? Tony Walker asks

WINSTON LORD, the US under-secretary of state, could hardly have expressed the American dilemma over its dealings with China more succinctly.

"Our policy challenge is to reconcile our need to deal with this important nation with our imperative to promote international values," he told the Senate earlier this year. "We will seek co-operation with China on a range of issues. But Americans cannot forget Tiananmen Square."

Just how difficult it is proving for the two sides to achieve harmony in their relationship was amply demonstrated again this week when the US, in protest at Chinese sales of missile technology to Pakistan, imposed sanctions on the export of high-technology items to China, and Beijing responded angrily.

Scarcely a week passes, it seems, without some further irritation to relations, involving disputes over a whole range of issues, from human rights to the transfer of military technology.

In Beijing, US officials say that given domestic pressures on any US administration by vocal and well-organised interest groups, it is inevitable that Sino-US relations will have their ups and downs. The question is whether differences can be contained, or whether the two sides are coming closer to serious rupture.

"The problem is", said one official, "that there is no overarching concept of what the relationship should be. When Nixon signed the Shanghai Communiqué in 1972, no one had any idea that within a couple of decades it would have developed as it has. For example, in the 1972 document there was hardly a reference to business.

"Another problem," he said, "is that Chinese tend to entertain higher expectations of the relationship than we do. They have convinced themselves the relationship is more important to us than it really is." Whatever the truth, there is no doubt that there is often a disconnection between US policy towards China and expectations in Beijing. This tends to heighten disappointment among Chinese officials when things go wrong, and risks provoking an overreaction.

So far, and certainly since relations began picking up again in 1991, after the chill caused by the Tiananmen massacre of 1989, periodic rows have been contained, and business has proceeded more or less as normal.

US officials appear confident it would take a fairly extreme development to push the Chinese into some form of retaliation that might in turn invite further American measures, say on the trade front. They point out that China's trade surplus with the US reached $18.2bn (£12.2bn) last year, is second only to that of Japan, and is growing faster.

In evidence to the US Congress this month, the Central Intelligence Agency predicted Chinese exports to the US this year would exceed imports by $24bn, 30 per cent up on 1992. With Congress increasingly restless over the US trade deficit, China, along with Japan, can expect a rocky road ahead.

It would be surprising if Chinese patience were not wearing thin.

Starting last year with the row over President George Bush's decision to allow the sale of F-16 aircraft to Taiwan, irritations have included the long argument over renewal of the Most Favoured Nation trading status, frequent exchanges over human rights, and recently a row over US interference with the passage of a Chinese ship to the Middle East that Washington claimed was carrying material to be used for making chemical weapons.

Most galling for China, which has set its heart on securing the 2000 Olympics, may well have been last month's congressional resolution opposing Beijing's candidacy. Indications that the Clinton administration sympathises with the congressional majority have sharpened Chinese annoyance.

Mr He Zhenliang, head of China's Olympic Committee, said recently he was "totally against" Congress's action "because it's an infringement of the Olympic principles, and that's unacceptable".

No country is perfect," he added, "even the US."

Adding to present uncertainties about how China might react to persistent American pressure on a number of fronts is the fact that the Chinese are undergoing a leadership transition, with various groups and individuals jockeying for power in preparation for the passing from the scene of the ageing paramount leader, Mr Deng Xiaoping.

Harder-line elements have made little secret of their unhappiness over what they regard as unwarranted American interference in Chinese affairs. They harbour suspicions that the US is motivated partly by a wish to weaken, or at least restrain, China's growing power and influence in Asia and beyond. They are also outraged by what they see as high-handed US opposition to Chinese arms sales, arguing that China's weapons exports amount to only a fraction of those of the US.

Mr Lord would not necessarily have endeared himself to the present generation of Chinese leaders when he told the Senate that the US should "conduct a nuanced policy towards Beijing, until a more humane system emerges".

"Shunning China is not an alternative," he added. "We need both to condemn repression and preserve links with progressive forces which are the foundation of our longer-term ties."

Reuter

China's Premier Li Peng (centre), who last appeared in public in late June, re-emerged yesterday to greet his Thai counterpart, Mr Chuan Leekpai (left). Mr Li, who has been suffering from a heart condition, told reporters on Tiananmen Square after a ceremonial welcome for Mr Chuan that his health was "very good", but he declined to elaborate on when he would resume his duties full-time.

Mr Abdul Sattar, Pakistan's foreign minister, yesterday accused the United States of acting on wrong information and groundless suspicion in applying new sanctions against Pakistan, writes Farhan Bokhari from Islamabad.

He said Pakistan regretted the move, which came in the wake of allegations that Pakistan and China had breached the international Missile Technology Control Regime (MTCR). Mr Sattar denied that Pakistan had violated the MTCR, although it had not yet formally ratified the regime. China had provided a small number of short-range tactical missiles to Pakistan several years ago, he said. It had done so after Pakistan was attacked by Soviet-made Scud missiles, from Afghanistan.

Officials said sanctions were unlikely to damage Pakistan's economy, since US aid had already been cut off because of allegations over Islamabad's nuclear programme.

N Korea in grip of 'collapsists' and 'gradualists'

John Burton on some new (and some old) delights for Pyongyang watchers

NORTH KOREA is on the brink of collapse. The 81-year-old president Kim Il-sung, who has ruled the country since 1945, is dying. His son and heir, Mr Kim Jong-il, has been severely injured in a car crash.

There is unrest in the army. A group of high-ranking military officers have been executed for plotting a coup. Meanwhile, food riots are sweeping the country as a hungry populace faces the threat of starvation.

That is what is happening in North Korea according to the rumours and reports that have circulated in Seoul this summer.

But many of these same stories have been heard for the past decade and the latest spate of reports are either unconfirmed or have proved to be false.

For example President Kim and his son were certainly not bedridden when they appeared at a ceremony commemorating the 40th anniversary of the Korean War armistice recently.

Sources of information on North Korea are scanty: the country's media, diplomats based in the capital Pyongyang, the occasional defector, and foreign travellers, mainly ethnic Koreans who are allowed to visit relatives.

"North Korea is a great black hole in terms of information and people like to fill it with their own wishful thoughts," said Mr Michael Breen, a consultant on North Korea for Seoul-based Merit Communications.

"Anti-communists look for signs of imminent collapse, while South Korean officials, who prefer a gradual approach to unification, search for evidence of stability in the north."

The difference in interpretation also extends to North Korea watchers, who are divided into two camps: "collapsists" who foresee the swift downfall of North Korea, and "gradualists" who believe that the country can survive if pragmatic economic reforms are introduced soon.

"We know the economic situation in North Korea is serious," said Mr Tae Hwan Ok, research director for the Research Institute for National Unification. "But there is little reliable information to know what is really happening there."

There are few doubts that the North Korean economy is deteriorating after more than a decade of stagnant growth. A drastic cut in economic aid, including vital oil supplies, from China and Russia, has caused an energy shortage and greatly reduced industrial production.

South Korea's central bank estimates that the North Korean economy contracted by 7.6 per cent in 1992 for a third consecutive year of decline, after a 3.7 per cent drop in 1990 and a 5.2 per cent drop in 1991.

Adding to the economic problems is a shortfall in grain production, the result of bad weather and a lack of fertilisers and pesticides as the energy-strapped petrochemical industry fails to meet demand.

There have been persistent rumours of food riots in the country since 1991, although none has been confirmed by reliable sources, according to South Korean officials.

There has been speculation that spreading food riots may be the reason why North Korea has tightened restrictions on foreigners travelling to the country since May.

Pyongyang, for example, reduced sailings this summer of a passenger ship that carries Korean-Japanese visitors between Niigata, Japan and Chongjin, North Korea. It said yesterday that regular sailings would be resumed next week.

However, said on analyst, "food shortages would more likely occur in early spring as stocks become depleted after the main fall harvest rather than during the summer when other food products are available".

Instead, the travel restrictions may be related to North Korea's dispute with the international community over the inspection of its nuclear facilities, he said. "The North Koreans don't want foreigners prying around at such a sensitive time."

Most North Korea watchers believe, however, that there have been isolated raids on local grain depots and food supply trucks by hungry citizens.

"Our assessment is that public loyalty to Kim Il-sung remains firm despite the economic problems," said Mr Ok. "We see no indication of a revolution brewing from the bottom up." If a food riot took on anti-government overtones, it would be quickly crushed, he added.

However, the Korean peninsula is expected to suffer a poor grain harvest this autumn because of a cool summer, resulting in a dwindling food supply for North Korea by early 1994.

A sign of trouble at the top was offered this week by a North Korean defector, a 30-year-old army lieutenant, who claimed that a group of military officers were executed last December for planning a military coup.

There have been similar rumours of coup attempts in 1986, 1991 and 1992, although there has been no evidence to support the claims.

"He's not lying, but he appears to repeating rumours he heard in the barracks room," said Mr Breen, who said such stories are one of the attractions of analysing North Korea.

"The beauty of North Korea watching is that it allows your imagination to roam."

Jericho plan could break Mideast deadlock

By Julian Ozanne in Jerusalem and Mark Nicholson in Cairo

A PALESTINIAN proposal for an immediate Israeli withdrawal from the occupied Gaza Strip and West Bank town of Jericho could help break the deadlock in Middle East peace talks, a senior PLO official said yesterday.

Mr Nabil Shaath, PLO peace talks co-ordinator, said the idea – dubbed the "Gaza-Jericho First" – could bypass arguments about who should control Israeli-occupied Arab East Jerusalem which have brought the negotiations to a standstill.

The proposal is emerging as one of the most controversial gambits made by Mr Yassir Arafat, PLO chairman, and is likely to drive the next round of Arab-Israeli negotiations which resume in Washington next week.

It envisages an immediate Palestinian assumption of full authority and independence in Gaza-Jericho, leaving the rest of the West Bank under interim self-rule.

The idea has excited many Israelis and Palestinians who believe it could help make progress in the stalled peace process after 22 months of fruitless negotiations.

But the proposal has also spurred a revolt within the Palestinian leadership over what, if any, concessions must be made to Israel to reach a peace agreement.

Palestinians who support the plan say it would produce some permanent independent entity immediately, guarantee the PLO a governing role and attract desperately-needed foreign financial aid.

Israel has indicated its willingness to discuss withdrawal from the Gaza Strip, the violent and economically-decimated home to 800,000 impoverished Palestinians.

But Jerusalem has so far remained silent on Mr Arafat's demand for the inclusion of an enclave around Jericho in the plan.

Israel, which would like to be rid of Gaza, has also made reservations about a full transfer of power and the establishment of what would be effectively a Palestinian mini-state.

It is clear that in return for accepting the idea, even in a modified form, Israel would expect big concessions from Palestinian negotiators on their demand for territorial sovereignty during an interim period of self-rule over Arab East Jerusalem and the Israeli settlements in the West Bank.

Zimbabwe group aims to buy blocked funds

A ZIMBABWE tourism company is trying to buy blocked funds from former Zimbabwe residents or foreign companies to finance its equity investment in the Victoria Falls Safari Lodge and time-share scheme.

The company, Glynn's Holdings, has been advertising internationally for sellers of blocked funds who wish to remit their cash immediately, rather than having to wait until the funds, which are held in 4 per cent 12-year or 20-year "divestment bonds", reach maturity.

Glynn's is reported to be seeking sellers of $10m worth of the bonds, of which there is an estimated $60m which has been blocked in Zimbabwe by exchange controls over the years.

With the Zimbabwe dollar having devalued from 66 US cents when exchange controls were tightened in 1984 to 15 cents today, many holders have been only too happy to sell out.

Qureshi seeks to end deepening malaise

Farhan Bokhari and Alexander Nicoll consider the implications of the Pakistani premier's ambitious new programme of economic and social measures

IN his 2½-month stint as Pakistan's caretaker prime minister, Mr Moeen Qureshi is seeking to reverse years of profligate mismanagement which have left the country's finance in total disorder.

It is not clear to what extent the ambitious programme of economic measures that he announced last week will endure when a new government, subject to familiar political constraints, takes office after elections due on October 6. But Mr Qureshi, who has no political affiliations after a 33-year career in Washington with the World Bank and International Monetary Fund, will have left an important legacy if he succeeds in beginning a recovery from what he sees as a deepening malaise in Pakistani life.

His initiative goes much further than dealing with a budget crisis. According to Mr Shahid Javed Burki, a senior World Bank official who advised Mr Qureshi on the measures, the prime minister chose to address long-standing problems of which the most important was "a steep deterioration in the social order."

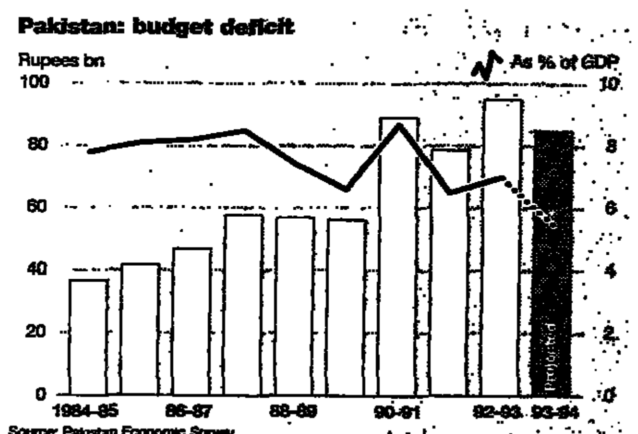
Mr Burki says there has been a collapse of law and order and of the supply of basic services, such as safe drinking water, sanitation and electricity, to the community – with the rich using their wealth to circumvent such problems. He says disorder is the product of a political system in which governments have "failed to inculcate a sense of honesty and integrity among officials."

Mr Qureshi took over, following the resignations of prime minister Nawaz Sharif and President Ghulam Ishaq Khan in July, to find the finances in a parlous state. Official foreign exchange reserves were dangerously low after months of political turmoil. Inflation was rising rapidly as the government printed money to finance a spiralling budget deficit.

Among emergency measures, Mr Qureshi suspended costly programmes such as a scheme under which members of parliament were given government funds for development projects in their constituencies. A "yellow taxi" scheme, a pet project of Mr Sharif, had seen Rs15bn (£331m) lent to importers of 51,000 foreign cars which, because they were to be used as taxis, were subject to reduced import duties. Mr Qureshi suspended it as well as a planned "yellow tractor" scheme. Construction of motorways on which work has not yet started is expected to be put off.

Mr Qureshi devalued the rupee by 9 per cent in order to discourage imports and boost exports after a $3.26bn (£2.18bn) trade deficit in the financial year which ended June 30. Interest rates were increased by two percentage points, and a quick-disbursing loan was sought from the IMF.

Official reserves have risen to $400m or about 2½ weeks' imports from the lowest level of around $250m last month, and the haemorrhage in the government's finances has been halted.



Source: Pakistan Economic Survey

Equally important, however, are the longer-term reforms which Mr Qureshi has begun. Taxes have been imposed on both the income and wealth of Pakistan's feudal landowners, previously exempt because of their political influence.

Though this means defying powerful vested interests, the government may believe that the new taxes would be politically difficult to undo.

Secondly, Mr Qureshi is seeking to tighten control over the banking system and to distance banks from political influence by granting autonomy to the State Bank of Pakistan, the central bank.

"In recent years we have seen virtually the rape of the commercial banks owned by the state," says Mr Burki. Governments, he says, had no compunction about ordering banks to make large loans for political purposes.

Thirdly, Mr Qureshi has outlined plans to step up the privatisation programme, with most of the state's substantial assets up for sale, and to open state monopolies in utilities to private competition. Proceeds are to be used to retire government debt, servicing of which currently eats up some 40 per cent of government revenue.

Other steps to cut the budget deficit to a targeted 5.5 per cent of gross domestic product include: removal of subsidies on fertilisers; a campaign to force payment of Rs16bn of unpaid bills to the telephone and electricity companies – defaulters are warned that their names will be published in newspapers; and a 10 per cent rise in petroleum product prices.

More broadly still, Mr Qureshi has taken steps designed to restore public confidence in official institutions. These include plans for tribunals to which citizens could appeal against malpractice by customs or income tax officials; a commission to speed up slow judicial processes which, according to Mr Burki, are causing a breakdown in the legal framework which surrounds business transactions; and tightening of rules on the distribution of public assets such as land to government officials.

Will Mr Qureshi's programme last? The measures were discussed with leaders of the main political parties, and officials say they did not disagree privately although they are expected to criticise them during the campaign.

The government is banking on three hopes: that the need for a $1bn medium-term IMF loan will force the new government to adhere to the plans, which have the IMF's backing; secondly that the new government will allow Mr Qureshi to take the heat for politically unpalatable measures but will not rescind them; and thirdly that support for Mr Qureshi by army generals – who worry that the budget situation might force cuts in defence spending – will help to give the programme longevity.

"These reforms have a good chance of survival because they are backed by powerful interests domestically and in the outside world, but there are new risks now of public unrest if life becomes too difficult in the coming months," says one leading banker – referring especially to the inflationary impact of some of the measures.

Telebrás head to testify in US broker row

By Christina Lamb in Rio de Janeiro and Bill Hinchberger in São Paulo

THE president of Telebrás, Brazil's state telecommunications company, has been called to testify before the country's Congress, to explain allegations that his former finance director attempted to extort \$15m (£10.1m) from Merrill Lynch, the US securities house.

The allegations began circulating in the Brazilian financial markets in July, when Merrill Lynch was not appointed lead manager for the company's forthcoming \$500m launch of American Depositary Receipts (ADRs) in New York.

Merrill Lynch had handled the company's Eurobond offerings and was expected to manage the ADR issue.

The charges become public after the resignation of Mr Mauro Brito as finance director of Telebrás last week. Press reports in Brazil alleged that he was forced to quit because he had demanded money from Merrill Lynch for the firm to keep its position managing the issue. Mr Brito denies the allegations.

Telebrás has made counter-charges, claiming irregularities in the launch of Eurobonds carried out by Merrill Lynch in 1991 and 1992, and claiming that the brokerage had received commission four times higher than market rates.

According to the newspaper O Globo, Mr Iram Siqueira Lima, former finance director of Telebrás, has written to Mr Adyr da Silva, its current president, admitting that Merrill Lynch had received a commission above market rates for the Eurobonds issue. However, he pointed out that, at the time, Telebrás did not have a good image in the market and that Merrill Lynch had guaranteed to place all the bonds.

Merrill Lynch issued an official statement on Wednesday night denying the allegations: "[The company] strongly rejects any suggestion of irregularity in its dealings with Telebrás," it said.

Traders are watching events carefully, as Telebrás shares represent 60 per cent of the São Paulo stock market index and are a favourite of foreigner buyers, often accounting for more than half of daily trading. Congressman Paulo Heslander, who demanded that Congress investigate, said: "These charges are damaging the image of Brazil overseas."

This is expected to delay the launch of the ADRs, which was expected before the end of this year. Another US securities house, Smith Barney Shearson, has warned clients that the launch might now take place in the middle of next year.

Reuter

President Clinton enjoys a holiday ice-cream - mango flavour

Clinton calls for floods rethink

By George Graham in Washington

THE Clinton administration is urging army engineers and other government agencies to look at different ways of controlling floods as they examine whether to rebuild dams and earthwork levees after this year's inundation of the Mississippi and Missouri river basins.

In a memorandum greeted enthusiastically by environmentalist groups, the White House asked agencies to consider "non-structural alternatives" such as buying up farmland in the river plain to be used as catchment areas for future floods.

The White House paper says, however, that the administration does not intend to reject local demands that specific levees be rebuilt.

Environmentalist groups, such as American Rivers, have claimed that levees along the Mississippi forced the river higher than it would otherwise have been by denying it natural outlets to swamps and wetlands in the river bottom, and also encouraged people to build in flood-prone areas.

Nevertheless, most of the flood-walls and levees built and managed by the federal government, under the auspices of the Army Corps of Engineers, are likely to be rebuilt.

Federal levees, which typically protect large urban or industrial areas, are much higher and stronger than private earthworks. Only an estimated 40 per cent of the roughly 500 federal levees in the Mississippi and Missouri basins failed or were topped by this year's record floods, compared with around 85 per cent of private levees.

The Corps has already put out tenders for some immediate repair projects, and aims to get as much construction work done as possible before winter.

However, federal officials will also insist that many homeowners move to higher ground, leaving their land as a buffer zone for future floods.

Russia alters stand on Poland joining Nato

By Christopher Bobinski in Warsaw and George Graham in Washington

POLAND'S entry into the North Atlantic Treaty Organisation may have come a step closer after the apparent removal of Russian objections.

In a joint statement issued in Warsaw this week, Russia's President Boris Yeltsin and Poland's President Lech Walesa declared that Poland's wish to join Nato did "not run counter to the interests of any state, including Russia".

The possible expansion of Nato's membership to the east is a core component in the debate over the alliance's future. But western governments have usually argued that Russian sensitivity to the inclusion of its former allies in Nato was the principal obstacle to such an expansion.

Many academics and some politicians argue that bringing countries such as Poland, Hungary and the Czech Republic into Nato could stabilise central Europe and help deal with the regional and ethnic conflicts on Europe's periphery.

A recent poll showed 57 per cent of Poles favoured Nato entry.

Economic signals flash red and green

Michael Prowse in Washington examines the conflicting figures in an attempt to see what they add up to

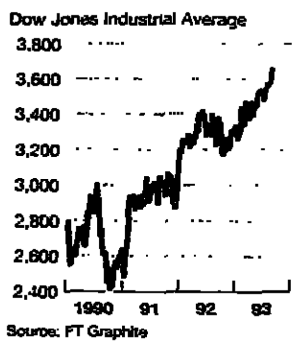
THE US economy is disconcertingly Janus-faced.

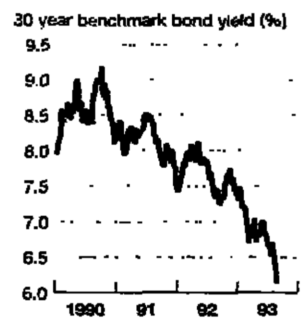
The signals from Wall Street could hardly be more encouraging. A strong stockmarket rally has swept the Dow Jones industrial average through the 3,600 barrier and into uncharted territory. The yield on the benchmark long bond, meanwhile, has dropped sharply to only just above 6 per cent, far lower than most analysts would have thought possible a year ago.

Yet the real economy remains disturbingly sluggish. Wednesday's report of a 3.8 per cent decline in new orders for durable goods between June and July was typical of recent economic indicators, which have invariably been weaker than analysts expected.

The biggest shock was inflicted by last week's trade figures for June, which showed a deficit of \$12.1bn. This was about 40 per cent larger than expected and constituted the biggest shortfall since 1987, when the Reagan economic boom was still under way.

In the light of these figures, most forecasters now expect economic growth in the second quarter to be revised down from an annual rate of 1.6 per cent to 1 per cent, or possibly even lower. The expected recovery of growth after the disappointing first quarter, when gross domestic product edged forward at an annual rate of 0.7 per cent, thus failed to materialise. The robust 4 per cent growth of the last six months of the Bush administration has become a distant memory.





Source: FT Graphite

There are conflicting views about the immediate economic outlook. "The economy is going to continue to disappoint," says Mr Allen Sinai, a managing director at Lehman Brothers, the securities group.

"It is hard to achieve growth when defence is being cut drastically, when state and federal government are holding down spending, when companies are down-sizing, and when the rest of the world is extremely weak." Mr Sinai predicts a continuation of the sluggish economic recovery of the past two years, with growth likely to average about 2 per cent, far below the rate normal in a US recovery.

But other forecasters are far more optimistic. Mr Paul Mastroddi, senior economist at J P Morgan, the New York bank, continues to predict growth at an annual rate of nearly 4 per cent in the second half of this year. He does not expect the tax increases mandated in President Bill Clinton's budget to have much effect on future growth on the grounds that the main measures have been known since late last year. The high-income individuals most affected by the budget have already had plenty of time to adjust.

> While signals from Wall Street could hardly be more encouraging, the real economy is very sluggish

He regards the economy's recent performance as much more encouraging than the headline figures might suggest. At 6.8 per cent, the jobless rate is nearly a percentage point lower than at this time last year.

Real gross domestic product is 2½ per cent higher. Business equipment investment is soaring. Corporate profits continue to register double-digit increases. Inventories are very lean, suggesting that companies will have to step up production to meet higher consumer demand in the current quarter.

And although a higher trade deficit arithmetically subtracts from growth, the surge in imports last month provides further confirmation of relatively strong domestic demand. The rising external deficit is a sign that the US is growing faster than other countries, not evidence of weak competitiveness in traded goods sectors.

Looking forward, the domestic economic fundamentals are mostly highly encouraging. The inflation scare that worried the Federal Reserve earlier this year seems over: in the past three months consumer prices have risen at an annual rate of less than 1 per cent. Although few analysts expect prices to remain this subdued, the underlying rate of inflation has probably stabilised at 3 per cent, or conceivably a little less.

The decline in inflation, coupled with the passage of President Clinton's mildly deflationary budget, has prompted sharp declines in interest rates of all maturities. As Mr William Griggs and Mr Leonard Santow, Wall Street bond market commentators, stressed in a recent circular, this is doing wonders for the health of sectors strained during the late 1980s.

Banks have increased their capital ratios and should feel more comfortable about lending. Companies and households have refinanced debt on much better terms and should be more willing to spend. The federal government is able to finance its considerable debt more cheaply.

Equally important, lower long-term interest rates lead to arithmetically higher share prices because they raise the present value of future corporate earnings. Higher share prices in turn raise the wealth – and hence spending power – of both the personal and corporate sector.

There is no question that recent economic figures have been disappointing. But, since exports are still only about 12 per cent of gross domestic product, the US remains relatively well insulated from adverse international economic trends.

Given the strong impetus from lower interest rates, it would be surprising if economic growth does not accelerate later this year.

BAe-Taiwan talks focus on finance

By Daniel Green in Taipei

TALKS on rescuing the proposed regional jet joint venture between British Aerospace and Taiwan Aerospace Corporation (TAC) yesterday splintered into a series of meetings largely among Taiwanese officials over the details of a draft deal.

Mr Denny Ko, TAC's president, was hopeful of agreement on the financial structure "within 24 hours".

A team led by Mr John Cahill, BAe's chairman, has been in talks with Taiwanese bankers, politicians and industrialists since Monday.

The joint venture, Avro, is central to his strategy to improve BAe's profitability. The RJ series of regional jets that it would build partly in Taiwan currently loses money.

A contract establishing the joint venture was signed last January, but Taiwanese banks lending money to Avro expressed fears last month that it was too risky.

The latest round of talks involved lawyers, the state-owned Chiao Tung Bank, which leads the consortium of lender banks, the Ministry of Economic Affairs, Taiwan's industry ministry, and other government departments.

Mr Ko also held meetings with Taiwan's defence ministry to discuss what part of the RJ programme could be most easily transferred to Taiwan.

The defence ministry's Aero Industry Development Centre (AIDC) would be involved in RJ assembly and the development of any new aircraft, called the RJ-X.

Major General Shin You-kwon, who heads the assembly of Taiwan's home-produced supersonic fighter aircraft, stressed the significance of winning RJ-X work.

"This project would bring real benefit in learning design and manufacture (of civil aircraft)," he said.

Taiwan has a well-developed military aerospace industry. More than 200 companies supply components to the AIDC. But the government halved its order for the supersonic fighter aircraft after it agreed last year to buy US and French fighters from General Dynamics and Dassault.

The government now wants to encourage the aerospace industry to diversify away from the defence sector.

It plans to turn AIDC into a semi-autonomous state company next July and privatise it towards the end of the decade.

Hungary awards telephone contracts

By Nicholas Denton in Budapest

US WEST, the US regional telecommunications company, has strengthened its leading position in eastern Europe's thriving mobile communications business by winning one of two concessions awarded yesterday by Hungary to run digital cordless services.

Pannon GSM, a consortium of national operators from the Netherlands, Denmark, Sweden and Finland, was unexpectedly awarded the second of the fiercely contested licences.

The "Nordic" group squeezed out a powerful coalition of Deutsche Bundespost Telekom, British Telecom and France Telecom, teamed together in the DBFH Consortium.

DBFH originally topped the bidding on concession fees with an offer of $48m, followed by the US West consortium on $46m.

But the Nordic group, previously third-placed with a submission of $45m, is understood to have raised its bid at the last minute to $50m.

Senior German, British and French diplomats intervened vainly yesterday with the Hungarian prime minister's office on behalf of DBFH, which later threatened "further steps".

Competition between the three leading contenders was fierce because there is tremendous suppressed demand for telephones in eastern Europe and the mobile communications market has shrugged off regionwide recession.

US West has recently won tenders to develop digital mobile networks in 10 Russian cities and to help operate analogue networks in the Czech Republic and Slovakia.

Bids are due in October for a stake of more than 30 per cent in Hungarian Telecommunications Company. Deutsche Telekom, as well as being leader of the DBFH consortium, is a prime contender in the privatisation of the state-owned national operator.

Strong yen goes shopping abroad

Michiyo Nakamoto and Victor Mallet on renewed exporting of Japanese production

THE RECENT sharp rise of the yen is forcing Japanese manufacturers to make plans to move still more of their production to low-cost factories overseas, which is delighting investment promotion agencies in the rest of Asia.

Japanese companies have been shifting production to other Asian countries since the yen began to strengthen in the mid-1980s. The depressed state of Japan's domestic economy has slowed the pace of new investment in south-east Asia in the past few years.

That slowdown is now likely to be reversed. Japanese and south-east Asian companies say, both because Japanese manufacturers are suffering from the strong yen and because Asia is the most promising growth market for consumer goods.

"The situation is similar to events in 1984," said Mr Tarrin Nimmanahaeminda, the Thai finance minister, predicting increased investment and employment by Japanese companies.

The new investment is likely to come in two forms: multinationals with existing foreign operations will expand those facilities, and smaller and medium-sized companies will probably join the exodus from their high-cost home base.

In Thailand, for instance, Toyota is spending some $570m to double its capacity to around 200,000 vehicles a year and improve its distribution network; Toshiba, which has had a television tube factory in Thailand since 1990, is increasing production by 70 per cent; and Oki Electric is doubling the size of its Thailand factory and adding image drums for printers to the products already produced there.

Japanese plants assembling cars and electronic goods in countries such as Thailand and Indonesia are expected to be joined by a growing number of components suppliers.

"I'm sure that many, many companies at present in Japan will come abroad, especially to the south-east Asian area," Mr Kikuji Tateichi, head of the Japan external trade organisation (Jetro) office in Bangkok, said.

Not every Japanese company has the will or the means to move its operations abroad, and many local south-east Asian manufacturers are expected to benefit from the strong yen as more and more Japanese companies source their components from foreign suppliers.

"Some Japanese companies are converting their source of supply of components, for example from Japan to south-east Asian countries such as Malaysia or Singapore," said Mr Tateichi.

Mr Richard Han, president and chief executive of the Thai company Hana Microelectronics, has already noticed increasing interest from his Japanese clients, although he expects prospective new customers to move cautiously rather than "rush and subcontract everything the next day".

Hana, employing 900 people, assembles semiconductors and printed circuit boards. Although some of the company's inputs are imported from Japan, its biggest cost is machinery (much of it American) and it has the advantage of relatively cheap Thai labour.

If Japanese companies suffering from the yen do not find it worthwhile to move abroad, "subcontractors like myself are perhaps fortuitously in a position to reap some of the benefit," says Mr Han.

Even when there is a shift of manufacturing from Japan to other Asian countries, it is not being made across the board. Japanese companies are keeping production of more value-added products strictly at home.

Mitsubishi Electric, for example, is moving production of mass-market products such as video cassette recorders overseas, but is keeping factory capacity in Japan free to produce high-definition televisions for when market demand grows.

Japanese executives say that the high level of technological skills required to manufacture leading-edge products means these will have to be kept in Japan for some time.

The picture that emerges is of an increasingly clear division of labour between Japan and the rest of Asia.

Mr Masaru Takagi, chief economist at Fuji Research Institute, believes this separation of roles will not be limited to mass-market products sold overseas but will increasingly extend to those aimed at the Japanese market as well.

While Japanese car-makers are currently exporting mass-market cars to Asia, Mr Takagi sees the reverse happening in the future.

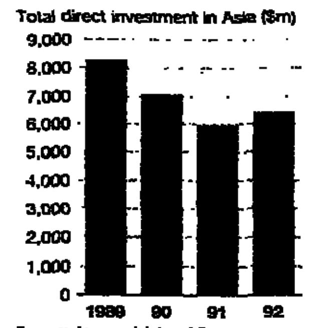
The recent strengthening of the yen is not always good news for Asian countries and companies outside Japan, particularly those – such as Indonesia – with substantial yen loans to repay.

However, as Japan starts to rely on imports for high-volume products and shifts its exports to low-volume, value-added goods, the trade balance is expected to alter.

"Japan's trade surplus with Asia will shrink," Mr Takagi says, "and in the long run, a trade deficit with the region is not out of the question."

Japan

Total direct investment in Asia ($m)



Source: Japan ministry of finance

JAPANESE DIRECT INVESTMENT IN ASIA (US$m)

	1989	1990	1991	1992
Malaysia	673	725	880	704
Thailand	1,276	1,154	807	657
Korea	606	284	260	225
Singapore	1,902	840	613	670
Taiwan	494	446	405	292
Hong Kong	1,898	1,785	925	735
China	438	349	579	1,070
Indonesia	631	1,105	1,193	1,676
Philippines	202	258	203	160
Total*	8,238	7,054	5,936	6,425

*Totals do not add up because some countries excluded

Source: Japan ministry of finance

Czechs secure Indian oil pipeline order

By Patrick Blum in Prague

SKODAEXPORT, the Czech trading and contracting company, has won a $370m (£247m) contract to build an oil pipeline linking the Indian cities of Kundla in Gujarat and Bhatinda in Punjab, the company said in Prague yesterday.

Mr Jan Ricica, the Skodaexport general manager, said that the company had won the contract after a year of negotiations.

The pipeline will be 1,440 kms long, and construction will include six stations and two terminals. The pipeline, equipped with modern electronic systems, will be able to transport several different types of oil products.

Mr Ricica said that the company hoped its success in winning the contract against fierce competition would help it develop its international business.

Skodaexport already has large contracts in China, Turkey and Egypt, and is negotiating over new projects in these countries.

Macedonia starts work on Russian gas pipeline

By Kerin Hope in Skopje

MAKPETROL, Macedonia's state-owned energy company, has started building a 100km pipeline to carry Russian natural gas from the Bulgarian border to Skopje, the republic's capital.

Mr Ljubomir Janev, general manager of Makpetrol, said Macedonia would cover the full cost of the $60m project, agreed while Macedonia was still part of Yugoslavia. Completion is scheduled for early 1995.

He said that Macedonia could afford the project because the pipe sections were being produced by a local manufacturer, the state-owned Macedonia Pipeworks.

According to Mr Janev, the pipeline would reduce the country's dependence on imported oil. It would also enable the Skopje refinery to increase its production of jet fuel and other petroleum products, because it would no longer have to produce fuel oil for industry and domestic heating.

Macedonia will buy up to 800,000 cubic metres of gas annually from Gazexport, the Russian supplier. The price has not yet been negotiated but Macedonia expects to arrange a barter agreement with payment in local products.

The pipeline is the first important infrastructure project to be launched in Macedonia since it broke away from the former Yugoslavia in 1991. There are plans to extend the pipeline to neighbouring Albania.

Brussels doubles duty on sacks from China

By Andrew Hill in Brussels

THE European Commission has almost doubled anti-dumping duties on plastic woven sacks imported into the Community from China, after manufacturers allegedly absorbed the original duties instead of increasing prices.

It is only the second time that the Commission has used its fast-track "anti-absorption" procedure, which allows it to increase anti-dumping duties without opening a new full inquiry.

The plastic sacks will be subject to an overall anti-dumping duty of 85.7 per cent. "A measure aimed at restoring the effect of the duty concerned is in the Community's interest," said the Commission.

The anti-absorption procedure was introduced in 1988, but not used as the basis for an inquiry until 1991. Some Brussels trade lawyers have suggested the fast-track procedure may infringe Gatt rules. Importers have also pointed out the reverse procedure – which allows for refunds when duties prove to be too high – is much slower.

We're always improving our track record

	1990	1991	1992
Sales	19,964	22,964	27,167
Capital Expenditure	10,610	11,827	10,637
Net Profit	1,367	1,413	1,425

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NEWS: UK

United chief urges end to deadlock in air route talks

By Richard Donkin

THE BRITISH and US governments were urged yesterday to advance their negotiations on the liberalisation of air routes in order to pave the way for broader multilateral talks in future involving other members of the European Community. Mr Stephen Wolf, chairman of United Airlines, indicated in London yesterday that the talks had been given fresh impetus by the publication last week of the report into the US aviation industry commissioned by President Clinton.

One of the report's recommendations was that airlines based outside the US should be able to raise their voting stakes in US companies to 49 per cent on condition that US companies operating in other countries should be allowed to take stakes in companies based in those countries. At present, overseas airlines are barred from exceeding a 25 per cent voting stake in US airlines.

Mr Wolf said he welcomed the recommendations even though he thought that, in practice, they would be less beneficial to US operators because of EC restrictions on foreign-owned carriers running routes in the community. But the report had given scope for building blocks in a new US-UK agreement.

His main aim, however, was that the existing impasse in negotiations should be ended when Mr John MacGregor, the UK transport secretary, meets Mr Federico Pena, the US transport secretary, next month ahead of the resumption of negotiations in October.

Mr Wolf said he could not understand why both governments had declared that they wanted greater liberalisation, yet so far had agreed nothing. "It's like two drunks singing the same lyrics all the time but they can't get on the same melody," he said.

Mr Wolf said he was "talking with officials" during his visit. He is hoping for some indication that United Airlines will be granted a route from Chicago to London. He believes the airline is well placed to be granted the route if the number of passengers carried between the two cities this year triggers the figure required in the 16-year-old Bermuda II agreement which regulates air traffic between the two countries.

Employers expect upturn to accelerate

By Peter Norman
Economics Editor

THE CONFEDERATION of British Industry yesterday raised its forecast of economic growth in Britain this year and next. But it also warned that sluggish investment and persistent current-account and Budget deficits could still upset a recovery.

The employers' group now expects gross domestic product will increase by a real 1.7 per cent this year, after a 0.4 per cent decline in 1992, with growth accelerating to 3 per cent in 1994. This is in line with the most recent consensus forecast for UK economic growth this year, as measured by Consensus Economics Inc. But the CBI is taking a more bullish view than the forecasters' average growth projection of 2.6 per cent for 1994.

Its previous CBI forecast, published in May, predicted growth of 1.6 per cent this year and 2.6 per cent next year.

Mr Andrew Sentance, CBI's director of economic affairs, said stronger consumer demand had prompted the upward revision of this year's forecast and this was offsetting the negative impact of slower growth in continental Europe.

Although tax increases would hold back consumers' spending next year, the world economy was expected to be more favourable to growth in 1994.

In its latest forecast, the CBI predicted

- Continued strong manufacturing output, rising by 3.3 per cent this year and 3.5 per cent in 1994.
- Consumer spending up by 1.8 per cent this year and 2.3 per cent next.
- Exports of goods and services rising by about 5 per cent in volume this year and next.
- Company profits rising by a real 9.4 per cent this year and 4.1 per cent in 1994 after declines of 4.7 per cent and 3.6 per cent respectively in 1991 and 1992.
- Continuing low inflation, with the underlying rate (excluding mortgage interest rates) little changed at around 3 per cent at the end of next year and the "headline" rate, including mortgages, rising to 3.3 per cent by the end of 1994 from below 1.5 per cent at present.

The group said it was concerned that investment would lag the recovery, rising by just 0.6 per cent across the whole economy this year and 1.7 per cent in 1994.

How the CBI expects the economy to grow

	% change on previous year			
	Outturns, CSO data		CBI forecast	
	1991	1992	1993	1994
Total GDP (average measure)	-2.3*	-0.4*	1.7	3.0
Manufacturing output	-5.3*	-0.8*	3.3	3.5
Consumer spending	-2.2*	0.0*	1.8	2.3
Fixed investment:	-9.9	-0.5	0.6	1.7
General government (a)	-10.4	12.5	7.1	0.8
Manufacturing (b)	-9.4	-3.0	-1.4	2.5
Private dwellings	-16.7	-2.3	-1.3	3.1
Other (mainly private services)	-8.4	-2.7	-0.4	1.5
General government consumption	3.2	0.0	-0.8	1.0
Exports (goods and services)	0.1	2.7	4.9	5.0
Imports (goods and services)	-3.1	5.6	3.2	3.5
Current account (£bn) (c)	-7.7	-8.6	-17.5	-15.5
Stockbuilding (£bn)	-3.4	-1.3	-1.2	0.6
Inflation (retail prices index) (d)	4.2	3.0	1.7	3.3
Inflation (manufacturer's output prices) (d)	5.0	3.3	3.6	3.5
Unemployment (millions) (E,F)	2.4	2.8	2.9	2.9
Company profits (g)	-4.7	-3.6	9.4	4.1
	1991-92	1992-93	1993-94	1994-95
PSBR (£bn) (c)	13.7	36.5	46.4	41.1

(a) Excluding purchases, less sales of land and existing buildings
(b) Including leased assets
(c) At current prices
(d) Fourth quarter
(e) UK, excluding school leavers, seasonally adjusted
(f) Annual average
(g) Gross pre-tax trading profit of industrial and commercial companies, net of stock appreciation, excluding North Sea oil and adjusted for inflation as measured by the GDP deflator

* revised figures yesterday

City watchdog to review trading rules

By Norma Cohen,
Investments Correspondent

THE Securities and Investments Board, the City's chief regulatory watchdog, is to look into the way in which professionals in the securities industry trade to determine whether tougher rules are needed to prevent market manipulation.

The SIB said yesterday that Mr Jonathan Agnew, former chief executive at Kleinwort Benson, is to act as a temporary adviser heading the review of wholesale market regulation.

The SIB also announced the departure of two of its longest-serving officials, Ms Colette Bowe and Mr Martin Vile, as part of an internal shake-up by Mr Andrew Large, chairman, aimed at tightening controls over the self-regulatory bodies which it oversees.

The SIB is searching for a head of a newly formed Securities Division and has established three other divisions; enforcement, policy and legal affairs and operations. Under the new structure, the roles of the heads of the retail and wholesale market supervision were abolished. Ms Bowe and Mr Vile, who headed those divisions respectively, "will be making a career change", the SIB said.

"It is likely the review could offer guidance to firms as to what constitutes market manipulation," a SIB official said. Aside from activities such as insider dealing, current regulations are vague on the trading practices which are genuinely manipulative. Businesses can manipulate the market by selling blocks of shares ahead of flotation to drive share prices down and then buy these more cheaply.

The absence of guidance led recently to a well-publicised row over the government's auction of the third British Telecom stake. In that case, Warburg asked the London Stock Exchange to put in place special rules to govern trading in BT shares in the run-up to the auction in order to prevent market manipulation. But institutions complained that the rules themselves constituted market manipulation.

Mr Large, in his review released in May, targeted the development of derivative products and their increasing integration with cash markets as a matter which might need further regulatory review. A derivative is in effect a futures contract to sell or deliver a future share at an agreed price.

In particular, the SIB has been concerned about whether all market users get to see the price at which a security was last traded in order to ensure that the price of derivatives accurately reflects the underlying price of securities.

The SIB is also worried about the growth in trades between institutions which trade with each other electronically without fully recording transactions. In his review, Mr Large wrote: "The over-the-counter markets are growing rapidly and the regulators need to be sure that risks are correctly identified."

Tougher curbs demanded on state spending

By Peter Norman

THE Treasury yesterday issued a stern warning that government spending "could all too easily" outstrip growth in the economy.

It said a rigorous approach to planning and management was required to prevent strong pressures for extra spending threatening the government's policy objectives of reducing total public spending as a share of gross domestic product, cutting taxes "over time" and bringing the government's £50bn annual fiscal deficit back towards balance over the medium term.

An article published in the latest and final edition of the Treasury Bulletin warned that policy initiatives and influences that had resulted in significant reductions in the ratio of general government expenditure to GDP in the 1980s no longer had a big impact.

More significant was the sharp rise of 3 per cent a year in general government expenditure since 1988-89. This acceleration of spending across programmes "clearly cannot be sustained" if government spending is to fall as a share of national output, it said.

The article by a senior Treasury official fleshed out concerns expressed by Mr Michael Portillo, the chief secretary to the Treasury and cabinet minister responsible for controlling public spending. It underlined why the government has committed itself to firm limits on the growth of spending and why it is reviewing the spending programmes of big government departments.

Treasury optimistic on growth

By Peter Norman

BRITAIN'S economic growth this year is likely to be a "little stronger" than the 1.25 per cent forecast at the time of the March Budget, the Treasury said yesterday. It also said underlying inflation might be a little lower than the 3.75 per cent originally expected for the fourth quarter of this year.

Delivering a cautiously upbeat assessment of the economy, the Treasury said in its latest bulletin that developments in the first half of this year – with renewed growth in activity, an improving labour market, low inflation and a sound trade performance – were "encouraging for the prospect of a period of sustained economic growth in the years ahead".

The Treasury cautioned that the recovery was in its early days and it was too soon to be sure how it will develop. Latest figures suggested that gross domestic product rose ¾ per cent between the second half of last year and the first half of 1993 and therefore "significantly faster" than the Budget forecast of ¼ per cent.

This could have been due to temporary factors such as heavy price discounting. Risks existed such as the high level of personal sector debt and the weak state of the continental European economies.

Hoover wins £1m Scottish sweetener

By Robert Taylor,
Labour Correspondent

GLASGOW Development Agency confirmed yesterday that it had made a contractual agreement worth about £1m with Hoover for the transfer of its manufacturing output from Dijon in France to Cambuslang in southern Scotland, creating 400 jobs.

Last winter's announcement of the shift of production to Cambuslang provoked accusations in France that the move was in conflict with European Community regulations. The European Commission is now investigating.

Mr Lew Scott, the company's vice-president of manufacturing, said yesterday the Glasgow Development Agency had been "one of a number of key factors in giving our parent company the confidence to commit itself to the consolidation of production at Cambuslang". Hoover has agreed to maintain the expanded level of employment at the plant. It will repay in full or in part the financial support from the agency if employment falls below an undisclosed figure over the next five to ten years.

Details of the agreement remain confidential, as does the exact size of the financial backing as part of a wider package of public assistance.

The agency, a joint private and public-sector body, said it had worked closely with Hoover since early last year on its quality management programme. It will be responsible for paying for the training of the 400 people required by the company in its expansion at Cambuslang.

Britain in brief

Engineering recovery 'is very fragile'

SALES and orders figures for the UK engineering industry in the second quarter of the year show little change on the first quarter. They reflect weak home demand and sustained but fragile export growth.

Mr Ian Thompson, economic adviser to the Engineering Employers' Federation, said: "The trend is generally upwards, but it is very uncertain and fragile; our major export market is western Europe, but that market is by no means secure."

Figures for the industry from the Central Statistical Office, released yesterday, showed sales up by half of 1 per cent on the first quarter (at constant 1985 prices seasonally adjusted) with export sales up 4 per cent and home sales down 2 per cent.

Lloyd's decision is criticised

UNDERWRITERS of two of the heaviest lossmaking catastrophe reinsurance syndicates are continuing to trade as active members of the Lloyd's insurance market. Mr Patrick Fagan and Mr Derek Walker are listed as Lloyd's Names – the individuals whose wealth supports the market – in the markets latest official list of participants.

Lloyd's was criticised yesterday by the Association of Lloyd's Members, which represents some 9,000 Names for allowing the underwriters to retain membership.

Roof falls at second mine

A SECTION of roof supported by roof bolts at Ellington colliery, Northumberland, collapsed earlier this week, British Coal confirmed yesterday.

British Coal said there was "no comparison" between Tuesday's fall at Ellington and last week's accident at Bilsthorpe colliery, Nottingham, in which a roof supported by bolts collapsed, killing three men.

Nobody was injured in the Ellington incident which happened 1,000 feet underground.

Confidence on student places

The number of school leavers unable to find university places is likely to be much lower than feared, Mr John Patten, education secretary, forecast yesterday.

Mr Patten, who returned to work this week after a six-week illness, said the outlook "is going to be nothing like as gloomy as some people have predicted".

Commentators have suggested that thousands of students will fail to win places on arts courses this year because of a 30 per cent cut in tuition funding imposed by the government.

Bedpan's crash still reverberates

Alan Pike analyses discontent among health service chiefs

ANEURIN BEVAN, the Labour cabinet minister who founded the National Health Service soon after the second world war, once said that "when a bedpan is dropped on a hospital floor, its noise should resound in the Palace of Westminster".

His comment is still much quoted in the service. Managers pressing for more devolution use it to illustrate the absurdity of the modern NHS, one of the world's largest organisations, trying to function as though all decisions flow from ministers.

The argument continues even though the modern state health service differs markedly from that envisaged by Bevan. Priority holiday reading at the moment for Mrs Virginia Bottomley, the present health secretary in the Conservative government, is the report of the National Health Service Functions and Manpower Review.

The review's recommendations are set to stimulate an autumn political controversy over the extent to which the internal market created by the 1991 reforms in the state health service should be freed from central control.

In the reformed NHS, hospitals provide services and district health authorities and fundholding family doctors purchase them. But this market activity – now the mechanism that drives the NHS – takes place within a bureaucratic structure that can be traced back to the service's origins in the nationalising, centralising 1940s.

Several thousand officials in the Department of Health in Whitehall and in regional health authorities and management executive outposts throughout the country continue to manage and supervise the service above purchaser-provider level.

Many hospital and health authority managers believe much of the higher-level structure has been rendered redundant by the reforms. The NHS now resembles a huge conglomerate in which slimmed-down subsidiaries are struggling to reform an unwieldy head office.

Mrs Bottomley set up the review to examine management structure and allied issues. Its report will, however, advance options rather than a single blueprint – thereby pushing decisions back to ministers.

Mastering bureaucratic and political skills has always been a natural element of the job for NHS managers. Many were initially hesitant about the government's NHS reforms, which brought a more commercial edge to management style. But, after only two years of the new system, there is pressure from managers for more freedom with a scaling-down of the central and intermediate management structures.

"Organisations throughout the world are flattening their structures and setting managers clearer objectives," says Mr Ray Rowden, director of the Institute of Health Services Management. "The British health service cannot isolate itself from those trends."

Advocates of a flatter structure reject suggestions that the establishment of trust hospitals, running their day-to-day affairs, has increased the need for supervision to ensure public accountability.

"It is possible for too much bureaucracy and a culture of management-by-circular to get in the way of true accountability," says Mr Philip Hunt, director of the National Association of Health Authorities and Trusts (NAHAT). "A system in which ministers set policy goals, with the management executive, health authorities and trusts delivering them against strong performance targets, could clarify objectives and increase accountability."

Mr Rowden agrees: "It is possible to have both greater accountability and less structure. There is an elaborate regional structure at the moment, but a lack of clarity about how accountability is supposed to work within it."

The review team was chaired by Ms Kate Jenkins, a former head of the Thatcher government's efficiency unit and a member of the NHS policy board. Her antecedence as one of the originators of the government's Next Steps programme that established executive agencies, delivering services at arms-length from government, made it certain that such a solution would be considered for the NHS.

Most managers doubt whether ministers will be prepared to turn the NHS management executive, which runs the service on a day-to-day basis on behalf of Mrs Bottomley, into an executive agency. But they hope the review will create a stronger separation between ministers' responsibilities for deciding policy and priorities, and the management structure in which these decisions are executed. "We need slimmer central and intermediate structures that support, facilitate and broker local market activity rather than try to direct it," says Mr Hunt.

MANAGEMENT

EUROMANAGERS TO WATCH

Running the show

Puma's new boss is blending US and German styles, says **Andrew Fisher**

Jochen Zeitz hopes to provide Puma with a convincing image

AT 30 years of age, Jochen Zeitz, the new head of Puma, is so young he even has a few years' advantage over some of the top athletes sponsored by the sports shoe and clothing company. By the standards of German business, where top executives in their 40s are a rarity, he is just out of kindergarten.

Linford Christie, the British sprinter who sped to victory in the men's 100m at last week's world athletics championships in Stuttgart, is his senior. So is Merlene Ottey, the Jamaican who won the women's 200m. Both are 33.

Christie paraded his Puma allegiance when warming up for the 100m relay, in which Britain was beaten by the US team. "Biggest, baddest, best" was emblazoned on his T-shirt, which carried his individual sprint time of 9.87 seconds and the Puma logo. Stuttgart was good news for Puma, which needs all the promotional help it can get. Now owned by Aritmos, the Swedish sports and leisure group, it has had a rough ride since its non-voting shares were floated on the German stock market in 1986.

In common with Adidas, its larger rival – both are based in the north Bavarian town of Herzogenaurach and were founded by members of the Dassler family – it has suffered from the market onslaught of aggressive US competitors such as Nike and Reebok. The German companies were slow to react to changing tastes. Today, Puma is only a bit player in the US market, though it is rebuilding its position, and is under pressure from its Swedish owner to put on a stronger financial performance.

Zeitz is the man chosen by Aritmos to do this. He is Puma's fourth chief executive in two years. A former Colgate-Palmolive marketing employee with experience in the US and Germany, he was at Puma for four years before his promotion to the top job. His ascendancy reflects a more aggressive approach at Aritmos – which yesterday announced a first-half loss of SKr116m (£9.7m) – under the influence of its new 44 per cent shareholder, the Proventus investment group with the hands-on management style.

Zeitz admits he was somewhat surprised to be given the job – not so much because of his age, but because his three predecessors had all come from outside the company. As marketing director, however, Zeitz made his mark by shaking up the division and injected US-style methods he had learnt at Colgate.

"The key points they [Aritmos] were looking for were – experience in the sports goods sector and international thinking, but also knowledge of German specifics, which a German understands better than a foreigner. That's why they decided on me."

Today, he reckons German companies are not just seeking an international education, but also experience abroad. "You have to be able to react flexibly to different situations. You need wide horizons and you have to understand different opinions, views and cultures. You can't do this with a purely German mentality."

Zeitz, a doctor's son whose business education began at the European Business School near Wiesbaden, appears every inch the young, clean-cut German manager.

He believes in fast decision-making, minimal hierarchies, and total communication with fellow managers. In the past, he says, "decisions were handed out by the board whose members kept things very much to themselves."

Much has changed since the company was run by the Dasslers, and Zeitz is not the first boss with international experience. After Puma started struggling in 1986, the family brought in Hans Woitschätzke as chief executive. Formerly in the pharmaceutical, printing and ski industries, Woitschätzke had worked in Canada, Venezuela and the US, as well as Germany. He left Puma in 1991, having returned it to a small profit which then evaporated in 1992.

With much of the world now in recession, including Germany, which accounts for more than half the company's turnover, Zeitz has had to implement a rapid restructuring programme. This has involved closure of the shoe plant in Germany – most supplies already came from the far east – extensive job cuts, and the creation of profit centres for the international (licensing and distribution), German, foreign subsidiaries (including other European markets, Australia and Asia), and Hong Kong-based purchasing activities. He has cut down on company cars and said all travel should be economy class.

"My aim is to make changes as quickly as possible, so this comprehensive restructuring was done in two months. The need is not to do things step-by-step, but deal with problems at once." Since Puma is by no means a corporate giant, with turnover of DM513m (£202m) in 1992, an 11 per cent drop on 1991 – licence business lifted this to DM1.2bn – such sweeping changes can be introduced more readily than at a larger group such as Volkswagen.

With Aritmos, driven by the performance-oriented Proventus, looking over Zeitz's shoulder, the pressure to perform is even greater. Because of the restructuring costs, Puma will make an increased loss this year, a return to profit being the goal for 1995.

Rapid decisions are essential, Zeitz believes. "Sometimes, it's better to make an early decision that's not 100 per cent right than none at all," he says in a most un-German comment.

He draws two important lessons from his experience of running a German company with a Swedish shareholder. Firstly, the German consensus-minded way of doing things, however laudable its long-term strategic aims, is often too inflexible and laden with compromise in these days of fast-moving markets, consumer preferences and product innovation.

Secondly, he believes other countries can learn much from Swedish management. "There are good things in the German and US management styles, but the Swedish approach is a good combination. On the one hand, there is the long-term vision and the sense of continuity, as in Germany. But there is also the fast pragmatic decision-making which is the positive side of the US practice."

For Zeitz this means Puma has to do more than just sell shoes to make money. It has to put across a convincing image. At Stuttgart, the triumphs of Christie, Ottey, and Colin Jackson, the world record 110m hurdle champion, – a mere lad at 26 – helped publicise the Puma name.

"We want people with charisma, not just those who are number one," Zeitz stresses. "The consumer identifies with the image of a brand not just the product. We've got to communicate what the product stands for."

CHRISTOPHER LORENZ

Need to keep the change machine under control

There could hardly be a clearer contrast between a lame management and a sprightly one than the ways in which Eastman Kodak and ABB are grasping the cactus of transformational change. Each announced last week that it is cutting more jobs: Kodak 10,000, ABB 7,000. But there any resemblance ends.

Kodak's action is belated and defensive, as it struggles to save its crumbling world after decades of inertia in the face of surging competitive pressure. ABB's move is timely and aggressive: it will help it retain the lead it seized *five years ago in remoulding its* global sector, raising its industry's productivity standards, and accelerating its own business and management processes. This last objective will also be served by the streamlining of its international organisation which was unveiled this week.

The two companies' attitudes to the management of change are coincidentally analogous to the nature of their core businesses: on the one hand, a specialist in static images, on the other a company which makes flywheels of power. To Kodak, change has been a stop-start series of isolated, intermittent initiatives. But to ABB, since its creation in 1988 out of sprightly Asea and lumbering Brown Boveri, change has been a continuously evolving process which companies must anticipate and shape before their rivals do.

There are no prizes for guessing which approach is more necessary or effective in today's business climate. Companies of all shapes, sizes and nationalities may, like Kodak, yearn for the comfortable days when change could be an intermittent process, in which one project or initiative could be completed before the next began. But all sorts of radical changes now need to be initiated in quick succession, and run either in parallel or as an integrated whole.

This point is brought home with a bang by a survey on "change management" which is about to be published by KPMG Management Consulting, an arm of KPMG Peat Marwick*. Most of its corporate respondents are running four or more different types of cross-functional change programmes. With ample justification, KPMG doubts whether many of them are being properly integrated.

The survey, of top executives in 250 medium-sized and large British companies, comes up with mixed conclusions. On the plus side, the majority of respondents (85 per cent) intend to persevere over the next three years with most of the fundamental change programmes that they are already running, in such areas as total quality management, customer care, culture change and empowerment. They do not plan to dump or downgrade these existing initiatives in favour of the latest type of radical programme to hit the scene, business process redesign (or re-engineering).

Companies should put more effort into implementing and co-ordinating change programmes – especially as events twist and turn, as they always will

The survey was carried out before re-engineering hit the headlines in Europe early this summer, but an updated mini-poll a month ago shows TQM and customer care still retaining their popularity in spite of widespread problems with TQM and a surge in plans to introduce re-engineering.

That is good news for those who feared that, as in the US, re-engineering would become the sudden, all-consuming flavour of the year. The US mania contrasts with the good sense of ABB, which has run co-ordinated programmes on TQM, "customer focus" (as it calls it), business process redesign, culture change and employee empowerment almost since its formation and expects them to continue indefinitely.

Thanks to ABB's careful integration of its programmes, and the restless, change-minded culture which it has bred, it has suffered less than other companies from "change fatigue". This is almost certainly not the case for many of the companies in KPMG's sample – over a quarter of the total – which claim to have undertaken 10 or more change initiatives in the last three years.

KPMG is remarkably mild about the severe problems that change fatigue can cause. It warns only of the need to co-ordinate and prioritise "so that the change machine does not get out of control".

A more forceful and appropriate comment was made recently by the rival Boston Consulting Group. Warning of "the danger of doing too much", BCG reported that many large US companies now had up to 15 "process improvement" initiatives under way, but that these seldom added up to a coherent programme.

In such cases, warned BCG, employees become so overloaded that they gravitate towards easily resolvable problems, and avoid the big ones. Tough cross-functional issues are ignored, and sacred cows continue to fatten. General managers grow increasingly sceptical, failing to see a link between all the improvement programmes and the bottom line.

On the last point, KPMG lets its gentlemanly stance slip a bit. It scratches its head over the fact that only 31 per cent of its respondents thought their programmes were "very effective", and is rightly concerned that managers identified few tangible gauges of effectiveness. As it suggests, all sorts of measures should be carried out periodically, of staff attitudes, customer perceptions, and operational efficiency. Plus, of course wherever it can be identified, the impact of each programme on the "bottom line".

The lesson of all this is not that companies should drop change programmes which have turned tricky, but that they should put more effort into preparing, implementing and co-ordinating them – especially as events twist and turn, as they always will. If companies cannot face that prospect, they will land themselves in the same mire as Kodak.

* *From Dawn Austwick, KPMG. Fax (UK) 071-832-8888.*

PEOPLE

Queens Moat picks finance director

Queens Moat Houses, the European hotels chain whose shares have been suspended since March pending a fundamental restructuring of £1bn of debt, has found a new finance director.

Andrew le Poidevin, like the new chief executive, Andrew Coppel, has been acting as a consultant at Queens Moat since April.

The appointment will bring together the same team that was at the helm when the mini-conglomerate, Sale Tilney, went into receivership early this year; the two executives worked together in the corporate finance department at Morgan Grenfell.

de Poidevin then went to the corporate finance department of Prudential Bache before spending more than 18 months as finance director at Sale Tilney. His appointment is understood to have been supported by the creditor banks.

Coppel announced the appointment at a gloom-laden annual general meeting at which no additional information was given on the progress of the refinancing and restructuring, though he said that the process of putting Queens Moat back on to a sound footing would take up to three years. Shareholders were almost universally dismayed that John Bairstow, the company founder under whose chairmanship the company grew rapidly and then crashed, was not available to face their wrath after his resignation last week.

Coppel said a new UK hotels division had already been formed and would put much greater marketing focus into UK operations. Business in the hotels had been hit by the financial problems but stability had been restored; occupancy rates had begun to pick up.

Shareholders at the AGM – which will be reconvened once the 1992 accounts are available – approved the increase in Queen's Moat's borrowing limits to £2bn, thereby removing the link between debt limit and the shrinking asset base.

Coppel could not say when the suspension of dealings in Queens Moat shares would be lifted.

■ **Julian Smith** (left) has been appointed a director of Grosvenor Square Properties, a subsidiary of ASSOCIATED BRITISH PORTS HOLDINGS.

■ **David Fothergill**, director of human resources, has been appointed to the board of TAUNTON CIDER; he becomes operations director in October and succeeds **Brian Longstaff** who retires at the end of the year.

■ **Peter Levinsohn**, formerly marketing director, has been appointed md responsible for all activities outside the Americas of Autotype International, part of NORCROS.

■ **Brian Ferguson**, president of Dana Distribution Europe, has been appointed senior vice president of DANA EUROPE.

■ **John Shipley**, md of the handling division, has also been appointed joint md of SOMMER ALLIBERT (UK).

■ **Stephen Fairbank** has been appointed marketing director, **Peter Bondarenko** export sales director and **Michael Bramson** UK and European sales director of AE Auto Parts, part of T&N's Engine Parts Aftermarket Group.

Shopping around

Nurdin & Peacock, the cash and carry operator which is opening one of the UK's first US-style warehouse clubs, has announced that David Rowley, deputy chairman, will retire next March. Rowley has been with the company for 24 years, and became managing director in 1987. He had been deputy chairman since 1991, his responsibilities including property development, legal matters and welfare.

N&P says it will not nominate another deputy chairman; it is happy with the remaining structure of chairman, Richard Fulford, and group managing director, David Poole.

It is, however, adding another executive director. Alex Rentoul (right), 41, currently running Sandler Rentoul Associates, joins the board from October, with responsibility for corporate development, strategic planning and new business development.

Rentoul qualified as an accountant and has worked previously in strategic planning and corporate development roles with Imperial Group and Booz Allen & Hamilton. He knows N&P well; when with Sandler Rentoul he carried out strategic consultancy for N&P, including on its warehouse club plans.

N&P is also appointing Roger Strachan, 62, former finance director of Nestlé UK, as a non-executive director.

■ **Wm Morrison**, the Bradford-based superstore chain, has appointed its first female board director.

She is Marie Melnyk, Morrison's trading director, who first worked for the company as a sixth-former studying for her A-levels. Now, aged 35, she is filling the board position vacated by Bob Emmott, the former joint deputy managing director who sprung a surprise by leaving to join J Sainsbury, the UK's largest superstore operator.

Melnyk, described by a colleague as a "positive dynamo" decided not to go to university but joined Morrisons straight from school, and worked in the stores before becoming produce buyer in 1981. She became produce director in 1987, responsible for the procurement and buying of the whole produce range, and in 1990 trading director, supervising buying across the complete range of groceries, non-foods, fresh and frozen foods.

Gill Rowlands, commissioner for the rights of trade union members, will have an additional task from the end of the month when she becomes commissioner for protection against unlawful industrial action.

Admitting that it is "a very new concept", Rowlands explains: "I've not had much notice of this; we have no idea – the legal framework apart – of what will happen." Asked how the idea had arisen for the relevant legislation, the 1993 Trade Union and Employment Rights Act, she replied, honestly enough: "I have no idea; I just do the job."

However, if her first commission is anything to go by, she is unlikely to be swept off her feet, and her five-man office in Warrington will probably cope. As friend of unhappy trade union members since 1988, she has fielded some 1,000 enquiries, 200 of which turned into applications for funding. A preference for settling out of court means very little is heard of her actions, nor, of course, are many senior trade union figures involved. "We get an awful lot of Jo Bloggses," says the 63-year-old barrister.

Now, if Bloggs qua member of the public feels he is being deprived of goods and services because of unlawful industrial action, he can apply to Rowlands for funds to bring proceedings in the High Court.

Unlawful strikes being a pretty rare event in Britain these days, she expects most of her work to come from regional instances of secondary picketing, blacking, and so on.

While she has kept a fairly low profile in her last job, she draws attention to certain difficulties, notably the fact that "you mustn't canvas members, or else you are taken for a union-basher. By now most trade union members know I exist." For the new commission, the publicity task will perhaps be a little more pressing.

TECHNOLOGY

Epilepsy drugs enter a new era

The size of the anti-convulsant drugs market is about to double, reports **Paul Abrahams**

A new generation of drugs to treat epilepsy is set to transform the anti-convulsant market and the lives of the 53m people afflicted with the condition worldwide.

After nearly 15 years without new treatment, four drugs are being launched for the condition which affects about 3m people in Europe, a similar number in Japan and 2.5m in the US.

Analysts at Merrill Lynch, the US investment house, believe the new medicines will, within the next few years, double the size of the worldwide anti-epileptic market. At present the sector is small, worth only $1.2bn (£857m) in 1992. Most existing treatments are off-patent and are therefore cheap.

The four new drugs expected to drive market growth are: Felbatol, developed by Carter-Wallace of the US and marketed outside America by Schering-Plough; Neurontin developed by Warner-Lambert, the US group; Lamictal, discovered by Wellcome of the UK; and Sabril, developed by US Marion Merrell Dow. Additional compounds in development include Trileptal from Ciba of Switzerland.

The new treatments are expected to be more effective than existing therapies at controlling epileptic seizures and to have fewer side effects. The established medicines include Warner-Lambert's Dilantin which has more than 50 per cent of the US market, Ciba's Tegretol, with 24 per cent of the market, and Abbott's Depakote.

The difficulties with the existing treatments are they do not prevent seizures in about 30 per cent of patients, and all epileptics taking these medicines risk side-effects.

The drugs' effectiveness is dose related – the higher the dose the more effective they become. But as patients' intakes are increased to improve the control of their epilepsy, so they tend to suffer more side-effects – drowsiness, depression, weight gain, impaired gait and hair loss. In rare cases, the medicines prove so toxic they can kill.

The side-effects mean that from 42 per cent to 60 per cent of patients fail to comply with medication, according to the UK's Office of Health Economics, a pharmaceutical research organisation.

In failing to take drugs properly, those susceptible increase the risk of seizures. One study suggests missed doses and lack of sleep accounted for about 79 per cent of seizures.

Trevor Flannagan, strategic business manager at Wellcome says: "Epilepsy is the most serious central nervous system problem confronting us. The epileptic population is seriously disadvantaged, with a significant proportion whose lives are significantly affected by seizures or side-effects or both."

"We need to have better products on both the safety and efficacy count," admits Mark Pierce, vice-president clinical research for the central nervous system at Warner-Lambert.

The established generation of medicines were mostly developed through the classical method of massive screening projects in the 1960s or 1970s, although Dilantin was patented in 1938.

Since the 1970s however, scientists have been using improved knowledge of the biochemical process of epilepsy to design new compounds. Researchers have discovered that epilepsy is caused at least in part through the malfunctioning of naturally occurring amino acids that act as neurotransmitters.

Normally, the electrical activity in the brain's nerves is regulated by two classes of amino acids. The first are excitatory amino acids such as aspartate and glutamate, thought to help stimulate electrical signals from one nerve to another.

The second class of amino acids is inhibitors, the most important being gamma aminobutyric acid, known as Gaba. Their function is to stabilise electrical activity in the brain. To do this, they open certain channels in the membrane of the nerve ending that are designed to admit negatively charged ions. Once the negative ions have been let into the nerve ending – or neuron – it becomes incapable of firing electrical signals. To be able to fire, the neuron has to be positively charged. The more Gaba available, the slower the neurons' firing rate.

Most of the new drugs are being recommended as add-on therapies because there have been few trials testing them as single treatments

In most common forms of epilepsy, the normal balance between the excitatory amino acids and the regulatory ones breaks down. The result is the brain's nerve endings start firing electrical signals out of control, triggering neighbouring neurons until a seizure takes place.

The earlier drugs, Dilantin and Tegretol, worked by preventing the excessive signals being triggered. Scientists are unsure of exactly how the prevention mechanism worked. Some believe it blocked certain channels in the neurons' membrane that allow positively charged ions such as sodium to pass into the neuron. Once the neurons are positively charged they have greater potential to trigger excessive electrical signals.

More recently, researchers have been following two main theoretical routes. The first is to discourage the production or action of the excitatory amino acids. This would prevent the seizure spreading through the brain. The second route is to enhance levels of Gaba, the regulatory substance, and so stop the seizure by stabilising the neurons.

The first of the new medicines to be given a licence in the US by the Food and Drug Administration is Carter Wallace's Felbatol, which gained approval this month.

Peder Jensen, vice-president for clinical research at Schering Plough Research Institute, says the drug was discovered through traditional techniques rather than rational drug design, following a mass-screening programme by the US National Institutes of Health at the beginning of the 1980s.

Scientists are still struggling to find out how it works, admits Jensen. One study of patients whose previous medication was ineffective, showed a 34 per cent reduction in seizure frequency compared with a 9 per cent fall among those on placebo. The drug also has low toxicity, allowing for safe higher dosing.

Felbatol's main drawback is it interacts with existing medications such as Dilantin. This is important because few patients are willing to swap medications, and at best will only add to their regimen – the majority, whose seizures are under control, have little incentive to switch to an unknown medication. Jensen says the interactions are predictable and can be avoided.

Warner-Lambert's Neurontin was designed with the knowledge at least some of the biochemical processes of epilepsy. The drug is an analogue of an amino acid and is supposed to emulate Gaba.

Elizabeth Garofalo, associate director of clinical research at the company, says that although the compound was synthesised to mimic Gaba, it does not appear to do so. It does reduce seizures, however. One theory is it affects aspartate and glutamate, the excitatory amino acids. It does not interact with other drugs.

Marion Merrell Dow's Sabril was also designed with the knowledge of the biochemical processes. Its unique mechanism is that it inhibits the production of an enzyme that breaks down Gaba and so increases Gaba levels in the brain.

Wellcome's Lamictal appears to work by preventing the excessive release of glutamate. It probably does this by blocking the sodium channels.

Ciba's Trileptal also interferes with the sodium channels in the membrane of the neuron, although it may also open potassium channels, according to Markus Schmutz, head of the company's pre-clinical epilepsy project.

Most of the new drugs are being recommended as add-on therapies because there have been few trials testing them as single treatments.

"They are all in their infancy. We are at the start of a very long process as we start the long-term comparative trials," says Pierce.

It is too early to know which drugs will win commercially. With luck, the winners will be those coping with epilepsy on a day-to-day basis.

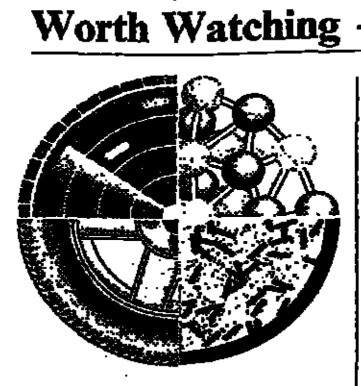
The series will continue next month with an article on diabetes.

The world market for anti-epileptics

		1990	1991	1992	1993e	1994e	1995e	1996e	1997e
Tegretol	Ciba	$283m	$318m	$352m	$377m	$398m	$415m	$430m	$435m
Dilantin	WLA	164	186	212	232	251	273	292	308
Sabril	MKC	6	13	33	60	75	135	168	214
Trileptal	Ciba		1	8	15	22	30	38	45
Lamictal	Well			5	52	99	159	236	311
Felbatol	CAR				17	71	97	149	210
Felbatol	SGP*					3	25	68	102
Other	Various	493	582	590	615	641	643	646	688
Total		$946m	$1.100bn	$1.200bn	$1.368bn	$1.560bn	$1.777bn	$2.027bn	$2.311bn

*Carter-Wallace has sold international marketing rights to Schering-Plough e=estimate
Source:Merrill Lynch

Worth Watching · Della Bradshaw



A helping hand for the imagination

Engineers who design cars or buildings on the computer screen have to rely largely on imagination to envisage the final product. Now they can visualise the objects through virtual reality (VR).

Bristol-based Division has adapted its dVise VR software so that it can be used with popular Cad packages such as AutoCad, 3D Studio and MultiGen. To visualise the design and to manipulate those images the designer simply attaches the VR headset and other equipment to the Cad system. Division: UK, 0454 615554.

● Japanese games supremo Nintendo has joined with Silicon Graphics to develop a VR games machine for the home. At the heart of the machine, which will appear in arcades in 1994 and in the home by late 1995, is Silicon Graphics' Multimedia Engine. Nintendo: US, 206 882 2040.

Face to face on the computer screen

Biometric security devices – retina scanning, for example – rely on complex machinery to recognise the would-be computer user. A computer security device developed by Visage, of Buckinghamshire, relies on one person recognising another, and could be sold for as little as £20.

The Visage system flashes a matrix of several faces on to the screen. The users have previously scanned into the computer photos of people they know – partner or sibling, say – who resemble each other. They then pick the three pictures from a dozen on the screen. The user then taps in the numbers of the sequence in which the faces appeared.

The faces cannot be forgotten. Nor can the user write down the "answer" as the pictures are randomly organised on the screen. Visage: UK, 0494 481263.

Personal telephone number may be up

The concept of a single personal telephone number, that follows the consumer from home to work and into the car, may seem alluring. But the technology research company Ovum is cautious about whether UPT (universal personal telecommunications) will gain widespread acceptance.

In its report, "Personal Numbering Services: the Business Opportunities for UPT", Ovum forecasts that only 132m European customers will subscribe to the service within the next 10 years and 156m in the US. This will result in projected revenues of $6.8bn (£4.56bn) per annum in Europe and $12bn in the US by the year 2000. Ovum: UK, 071 255 2670.

Driving for the largest capacity

As computer and memory card manufacturers standardise on the PCMCIA (personal computer memory card international association) interface, disc drive makers are battling to develop the drive with the largest capacity.

Maxtor, is claiming the lead with a 105 Megabytes drive – enough to store the equivalent of 20m words. It weighs 2.5oz and is the thickest of the three types of PCMCIA drives, at 10.5mm deep. Maxtor: US, 408 432 1700; UK, 0483 747356.

A rose by any other shape

A rose by any other name may smell as sweet, but genetic manipulation is required to ensure that it has a stem as smooth as a tulip, or a flower as large as a chrysanthemum.

The International Floriculture Co-operative Research Centre, in Australia, is spending A$18m (£8.18m) to develop tailor-made flowers, with the colour and fragrance that fashion predicts. The work is funded by the Australian government, research organisations and businesses – including Calgene Pacific, which is about to produce a blue rose. Calgene Pacific: Australia, 3 419 9844.

PUBLIC NOTICES

INSURANCE COMPANIES ACT 1982
Notice of Approval of Transfer of Business
LOMBARD CONTINENTAL INSURANCE PLC: THE TRANSFEROR:
Notice is hereby given pursuant to section 51 (5)(a) of the above Act that the Secretary of State has approved a transfer of general business from the transferor to Lombard Continental Insurance (UK) Limited.
Department of Trade and Industry London
August 1993

PROPERTY

Back to the basics

Investment funds have reached a new peak, says **Russell Schiller**

The property investment market turned up decisively in May, bringing the first good news in four years to a depressed sector. There was a change of mood, and with it a feeling that values had hit bottom and the decline was over.

Yields have come down, even for central London offices. Although rents are still dropping, the fall in yields is enough to nudge values up. The reason for the change is not hard to identify: the amount money available for investment in property is the highest it has been for more than 10 years.

Hillier Parker, the surveyer, has compiled a list of 145 buyers, each with at least £10m to spend and with aggregate available funds of £7.25bn.

The contrast with the late-1980s period of heady development activity is best illustrated by the experience of insurance companies, whose annual net flow of investment into property barely topped £2bn in any one year in the 1980s. The 29 insurance companies on the Hillier Parker list alone now have a total of £2.7bn to spend.

Most buyers are competing for a fairly narrow band of property where the quality of the tenant's covenant – financial strength – is of prime importance. There is a shortage of property in this band, so unless insurance companies relax their requirements, they will fail to find a home for their billions.

Now the market has turned, the nub of the problem for investors is the mismatch of supply and demand. There is plenty of property to buy, much of it held by the banks, but with empty space still a problem, buyers have not yet been prepared to offer attractive prices unless the conditions of a first-class covenant are relaxed.

A few brave souls bought in 1992, encouraged to do so by three main factors.

First, in the short term they gambled on yields coming down when the investing herd followed them into the market. This would protect them against the continuing slide in rents.

Unless insurers ease their terms, they will fail to find a home for their billions

Second, if the covenant was good, which it usually was, they would gain a secure medium-term income at little risk and with better returns than gilts.

Finally, in the longer term, there might be a faint prospect of genuine rental growth. In summary, the short, medium and long-term grounds for buying could add up to a combination of good capital growth and a high-yielding income stream.

The position today is less attractive for investors wishing to buy properties with good covenants. This is because the opportunity for anticipating the turn in the market has passed. Yields could fall further, driven by the volume of money available for investment and greater confidence in the economy, but it is already too late to gain the full benefit from falling yields.

The next stage of recovery in the investment market is dependent, in part, on a relaxation of the demanding definition of good covenant.

Reliance on covenant was a natural haven during the recession. It led to preference being given to a poor property with a good tenant compared with a good property occupied by an insecure tenant. The normal property criteria of modern specification and accessible location leading to healthy tenant demand were given less weight than certainty of income.

Eventually the balance between covenant strength and a property's fundamental attractions seems certain to tip in favour of the latter. Recovery will lead first to a reduction in the danger of a tenant defaulting on the rent. Next will come a pick-up in tenant demand, and finally empty space will start to be filled.

This will all take time, and the naturally cautious institutional buyers will be reluctant to relax their desire for secure income until they are sure it is safe to do so. The effect will be to give opportunities for bolder investors to get into the market ahead of them, as happened in 1992 and the early part of this year.

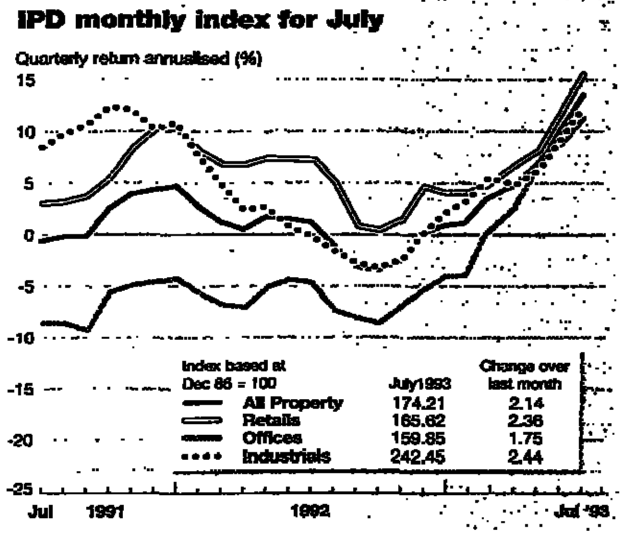
As the property market slowly returns to being a growth investment there will be an increasing distinction between 'prime' and 'secondary' properties.

Property will be rated according to its size, specification and location, and to the extent which it satisfies the needs of the market and can generate rental growth. Having a good tenant is only part of the criteria; if the property specifics are good a departing tenant can be replaced.

Describing pre-recession prime property stills feels a bit like indulging in nostalgia. The past four years have left deep scars which will leave investors sceptical about property for years to come. Despite this, the focus on covenant is starting to recede and property investment is coming back to basics.

The author is partner with Hillier Parker

IPD monthly index for July



Market stabilises

The commercial property market continued to recover in July as yields fell for the fifth consecutive month, according to the Investment Property Databank, a research group, writes Vanessa Houlder.

The aggregate equivalent yield fell by 0.09 points to 9.7 per cent. Capital growth and total returns remained at 0.5 per cent and 1.2 per cent, indicating a stabilising market. Although rental values are still falling, the rate of decline is slower at 0.7 per cent, compared with 0.9 per cent in June.

In the seven months to July 1993, net investment in property averaged £6.9m a month. This is a turnaround from the average £5.4m that was disinvested each month during 1992.

The decline in capital growth slowed by 1 percentage point, from -6.3 per cent for the year to June, to -5.2 per cent for the year to July. Rental value growth for the year was more or less unchanged at -10.7 per cent.

The office sector recorded a positive year-on-year return of 0.2 per cent for the first time in three years. Retail property retained its position as best performing sector in July, returning 1.4 per cent against 1.5 per cent in June.

'Bounteous Sea' by John Bellany, the father of the current generation of Scottish magical realists

When anatomy classes paid off

Lynn MacRitchie finds Scottish figurative painting alive and well

Serious students of contemporary Scottish painting are enjoying an *aestas mirabilis*. North of the border, there are two important retrospectives, of Peter Howson at the McLellan Galleries in Glasgow (reviewed by Mary Rose Beaumont in July) and of Steven Campbell at the Talbot Rice Gallery in Edinburgh. The festival city, despite its official disdain for the visual arts, also offers non-representational work by Scottish artists at the College of Art.

Those confined to London may take comfort, however. The Angela Flowers Gallery has organised an excellent survey of Scottish painting which fills both its East End branches until September. The strength of the show lies in the range of work, which goes beyond the generation which broke through to fame in the 1980s, to include work from both older and younger graduates of the four Scottish art schools, Glasgow, Edinburgh, Dundee and Aberdeen, and some of their teachers.

As a student at Edinburgh College of Art I often found its academic discipline – life, still life and anatomy classes were compulsory – and the unquestioning acceptance of painting for painting's sake hard to bear. Eventually, however, I came to love the life class, and the absorbing struggle with that endlessly difficult task, the representation of the human figure.

Many of the artists in this exhibition continue in this tradition, and their confident use of the figure is striking at a time when it is widely assumed to have ceased to be part of the contemporary artistic vocabulary. Also notable is the wide range of expressive purposes the figure is made to serve.

John Bellany, father of the present generation of Scottish magical realists, fills large, semi-autobiographical, semi-mythical canvases like "Bounteous Sea," 1993, with a cast of sloe-eyed beauties both real and imaginary. Steven Campbell invents an impossible yet strangely familiar storybook world in work such as "The Sadness of Swiss Peasants on the Rhine," 1989, where some sinister meaning lurks close to the deceivingly light-hearted surface.

The tradition of realism, drawing from the life, permits Jock McFadyen and Henry Kondracki to explore the city streets, capturing their inhabitants with humour and painterly dash. Peter Howson also uses his studies of street life as a basis for his enormous mythological canvases. Margaret Hunter and Gwen Hardie, who both studied with Georg Baselitz after their training in Scotland, make close examination of the figure central to their work. While in "Woman with Apron," 1992, Hunter's figure is stripped down to a primitive essence at its centre, Hardie moves ever closer to the body (usually her own), until in "Unto Me," 1992, details – in this case about three quarters of a face – become huge abstract forms rendered in blobs of paint applied with sponge or fingers. For June Redfern, in canvases such as "Two Songs II," 1992, large, usually female, figures articulate a psychological or spiritual space, brought alive by those other Scottish preoccupations, the importance of colour and the handling of paint.

"Painterly" was a term of praise in my time and must remain so, for there are few works here which do not merit it. Even those artists who have moved away from direct rendition of image on canvas to use their skills for different ends – the explorations of natural processes such as "HDE 226868" by Glen Onwin, for example, or "Symbol Stone," 1983, by Kate Whiteford, reveal both their skill at and pleasure in mark making and textural richness. The purely abstract works are perhaps the weakest in the show, not quite far enough removed from their inspiration in landscape in the case of Buchan and Shanks or rigorous enough in their presentation of colour (Colombo, Maclean) to travel far from the merely decorative. Their handling of paint, however, as should be expected from the heirs of Peploe, McTaggart and Gillies, is unfailingly impressive. Alan Davie shows the usefulness of image to anchor abstraction, even though the eclecticism of his magpie hoard of symbols ultimately weakens their effect.

Scottish painting is far from perfect. I still find myself baulking at its self-centredness, the narrow path from sketchbook to canvas, the reliance on a limited vocabulary of images – some drawn from the glorification of a brutal culture – and their repetition to the point of cliché. But these are generalisations, and this is a show of individuals, each of whose work demands attention, and the culmination of whose efforts over the last 30 years has led to the development of a body of work which grows ever more impressive with the passage of time.

Scottish Painters, Flowers East and Flowers East at London Fields, 6 August until 12 September. Flowers East, 199/205 Richmond Road, London E8 3NJ. Tel 081 985 3333

The Edinburgh Festival

MacMillan's operatic issues

The festival prospectus promised us a "double bill of operas". Whatever else they may be, *Busqueda* and *Visitatio sepulchri* by James MacMillan are not that and the evening devoted to them at the King's Theatre on Wednesday left impressions that were anything but operatic.

This was the most substantial offering of Edinburgh's in-depth survey of MacMillan's work. For those not familiar with the composer, a brief biography may be helpful. MacMillan is Scottish, at 34 still young in today's terms, his homeland's leading voice in new music. He has taken up a decisive stance on political and religious issues. Of these two works, both are steeped in the Catholic faith and one also recalls a recent case of political mass injustice, beliefs on MacMillan's part which give this music added purpose.

Visitatio sepulchri is less an opera, more a celebration of faith. It sets a 14th-century liturgical drama that would have been enacted at Notre Dame in Paris on Easter Sunday. First the crucifixion, then the resurrection as recounted by three angels to three women, and finally a "Te Deum", its culmination in a hymn of praise.

The intention is to portray the events in as objective a manner as possible, so MacMillan effectively de-personalises his music, having the text chanted or sung in ensemble wherever possible; no individual emotional response is allowed. Much of the central section is spare, as though wanting to convey an antiquity of tone, resonating down the centuries. The "Te Deum" starts with a lot of unconvincing agitation from the orchestra, too angst-filled to be appropriate to the words, but rises at the end to glorification.

None of this is easy to bring off and Francisco Negrin's stage production tipped the piece well over the edge into pretentiousness. Wafted on a cloud of incense, three semi-naked dancers pose half way up the wall, while the women and angels play spot the symbolism, flicking water at each other and ripping pages out of books with very meaningful looks. Next time I would like to see a simple re-enactment of the drama.

For *Busqueda*, even that is unnecessary. MacMillan's theme here is the lost sons of Argentina, a subject already memorably captured on film. An opera is words through music, but this work is decidedly words *with* music. What he gives us is a collage, in which poems written by the mothers of "the disappeared" are read or sometimes chanted, interspersed with sections of the Latin Mass.

There is little singing; indeed little music imposes at all. As an accompaniment to the poetry, the score is sparse, generally expressing an elegiac mood of grief, as filtered through years of waiting. I found its response to the poems mostly simple and moving. The narrator was Juliet Stevenson and Ivor Bolton conducted the Scottish Chamber Orchestra, seated on stage, where there was thankfully no production to distract our attention.

Richard Fairman

Sponsored by Scottish Power

Dr Faustus Lights the Lights

How curious to find that Gertrude Stein, *the* American in Paris and pioneer of avant-garde wordplay, wrote *Dr Faustus Lights the Lights* with Britain in mind – as an operatic sequel to *A Wedding Bouquet* (the choral ballet, still extant in repertory today, which Lord Berners had created from her play *They Must. Be Wedded. To Their Wife.*) Now Robert Wilson, another American pioneer and leading creator of new-wave theatre since the 1960s, has collaborated on a new production with the German sound artist Hans Peter Kuhn. The result, brought by the Hebbel-Theater, Berlin, is arresting, bizarre, ironic, droll, absorbing, fascinating.

At surface level, Stein's text is a post-Lewis Carroll-array of rhyming nonsense jokes. Because Marlowe had his Faustus fall for Helen of Troy, whereas Goethe's Faust falls for Marguerite, Stein's Faustus falls for a heroine who is called "Marguerite Ida and Helena Annabel". And because Faustus *chooses* to go to Hell, Stein deliberately confuses her story with that of Eurydice (who was killed by a viper) and Orpheus (who went to Hell to retrieve her), and makes Mr Viper a recurrent theme in her tale-no-tale of Doctor Faustus and Marguerite Ida and Helena Annabel. (At the start of Act Two, someone asks "Would the viper have stung her if she had only had one name?"). Faustus, like Julia in *A Wedding Bouquet*, has a dog played by a girl.

Beneath this entertaining absurdist facade, you can sense Stein the dissident feminist. She rewrites Faustus's story to make him a scientist; he has created electric light, he is hell-bent on going to Hell, and, when he rejuvenates himself, he loses Marguerite Ida and Helena Annabel forever – because she no longer recognises him. The feeling of hero and heroine for each other is constantly ambivalent; and you feel Stein's resentment of the role traditionally played by Marguerite as Faustus's ideal and victim and saviour.

Wilson's staging, at every stage elegant and incisive, goes for every bizarrerie and irony in Stein's text and compounds them with others. Three Faustuses; three Marguerite Idas; two Mephistos. A nine-foot-tall countrywoman played by a man on stilts beneath his skirts. Image after image strikes you with the same ironic visual force that keeps bubbling up in the text. Devils hover aloft; Faustuses lean out sideways from the proscenium arch. Light and dark are contrasted in one way after another; abstract forms and hues catch and intensify meanings in the text.

At one point, Wilson catches all the ambiguities of the Faustus-Marguerite love-death victim-viper-killer nexus, by making one Faustus advance to plant his snarling mouth on one Marguerite's neck like some vampire snake, only to find that in so doing he impales himself on the blade that she impassively holds in her hand. Meanwhile, another Marguerite, wandering with a candle, at last unites its light with the electric light that has hung over Faustus. In an earlier treatment of the viper bite, as we hear all three Marguerites scream, a gash of red suddenly cleaves the black sky, like a rising red poker.

Kuhn's music is in post-Satie vein, full of sub-vaudeville tunes and muted oompah rhythms that almost become tangos. The German cast speak their English with utter clarity, though with even more staccato emphasis than appropriate. The fact that Stein was turning language into music is made beautifully clear, and every metre is pointed deliciously – but Kuhn's music and the actors' delivery could profit from a bit more legato and dynamic variety. But if this staging falters in its handling of the fourth dimension (time), Stein's text keeps it lively. And it is always clear that the three dimensions of space (and light) are being handled by a master.

Alastair Macaulay

It's comic time (again) on the Fringe

Antony Thorncroft checks out the Perrier short list but finds that wiser comedians come with more packaging

There is an awful lot of (awful) comedy infesting the Fringe this year which forced the poor Perrier judges, looking for the best comedian, to check out over 100 shows. They have come up with a short list of seven, one of whom receives on Saturday night a smallish cheque and, on past experience, a nice television contract.

Corky and the Juice Pigs is a high energy Canadian comedy band. The rest are stand ups. Lee Evans is the Norman Wisdom of our age; Phil Kay is Scots and calls up strangers on the phone to pad out his act; Greg Proops is American and features in crisp commercials; Parrot is bleakly tough and naturally another Scot; Johnny Meres was once Johnny Immaterial; and Donna McPhail is not Scots but a woman and the likely winner.

A lot of fuss, much of it from McPhail herself, has been made of the fact that she chose her Edinburgh show to come out as a lesbian, although she is quick to add "I'm not a proper lesbian; I don't fancy K.D. Lang." Sexuality forms a good chunk of her act at the Gilded Balloon (after all this is the Fringe) but then so do other favourite topics for routines, like women's changing rooms and long train journeys. McPhail is confident; masterful in a Head Girly sort of way; and funny.

Asking "Why 'Grease, the Musical'? Do we imagine it is 'Grease, the Lubricant'?" she adds, "Still there are people prepared to pay to watch a ton of lard – it's called opera." She also asks the perennial question: "What do lesbians do in bed?" And answers it "Try and get some sleep, but its difficult with so many people watching through the window."

The Perrier Award perpetuates stand-ups, but many comedians, and even more paying punters, have lost interest in anal fixated anecdotes about the performer's childhood, or oddball monologues about contact lenses and bodily fluids. The wiser comedians come up with some packaging these days. For Arthur Smith it is writing witty plays. His brilliant *An Evening with Gary Lineker* seems destined to haunt Edinburgh for ever. His latest, *Sod*, (at the Pleasance) will quickly disappear again underground.

We are just not interested why Frank decides to bury himself in his back garden for four months. It is immaterial to the real play, which is Smith's memories, conveyed through Frank's ten year old son, of the summer holidays of childhood "when it was always boiling hot and every pop song was a classic." This is a sketch too far, with slight whimsical charm.

Other comedians develop a character. Last year Graham Fellows turned up as John Shuttleworth, a former security guard at a Rotherham sweet factory who entertained the old folks on his Yamaha and was only too happy to pass on tips on a career in show business. Shuttleworth is now more rounded and much more pathetic. He somehow manages to re-incarnate John Major, the cabaret artist, if he had not stumbled on politics.

There are more awful songs which become worryingly catchy, like "Up and down like a bride's nightie", but the sadness of the eternal optimist who only has unemployment, a bored wife, and trips to Texas Home Stores to look forward to, is achingly conveyed. Shuttleworth captures the limited concerns of the common man and in spite of all the banality, is very sympathetic. And Fellows is very funny.

The other favoured form of comedy is the sketch show, taken to extremes by Stewart Lee and Richard Herring in *Lionel Nimrod's Inexplicable World*. This is a case of comic regression. Most fringe performers spend the next year regurgitating their material on the radio; Lee and Herring's act has already been aired on Radio 4.

They attempt to answer the Big Ones: do ghosts exist?; are monsters real?; and although they are as unstructured as student humorists they are extremely amusing, not least in the running gag on Herring's sexual inexperience. The climax, when Lee re-writes the Dead Sea Exercise Book, in which the future is ordained, is as nicely argued a piece of comic surrealism as you will find anywhere.

Promenade concerts

The Oslo Philharmonic

During the past seven years or so, the Oslo Philharmonic has earned unstinting ...miration over here. ...doubtedly it owes much to ...conductor Mariss Jansons ...t a Norwegian), but the ...ying – strong, musicianly, ...ally responsive – speaks for ...lf.

...et for the Prom concerts on ...nday and Tuesday, it took ...e to have international solo... as draws: first the Japa...se phenomenon Midori in ...aikovsky's violin concerto, ...d then Yuri Bashmet in the ...certo Bartók was writing ...en he died. The orchestra ...d not have been so modest, ...ng itself a grade-A draw. ...l, Bashmet's extraordinary ...ount of the Bartók was mar...ous to hear.

...spersions are often cast ...n Tibor Serly's posthumous ...mpletion" of the concerto. ...as won a place in the reper...e only because violists des...ately need something sub...ntial by some major ...poser after Mozart, Berlioz ... Walton. But if this "Bartók" concerto cannot pretend to be just what the composer would have written had he lived, it *is* nonetheless a substantial piece. Serly's many Bartók arrangements prove him to be a scrupulous disciple; more important, the viola concerto has its own pungent, introspective consistency of tone, *echt*-Bartókian and yet distinct from any of his previous music. The piece can seem wan, fitful and episodic; not, however, in Bashmet's hands.

He is a magnificent brooder. Even single notes may have a smouldering density. That is not a matter of throbbing timbre, but rather of expressive sense relentlessly pursued. Here, Bashmet's tempi were uncommonly deliberate, the better to fathom the world-weary gentleness of this last Bartók score. Without histrionics or overt virtuosity he gave it the scathing candour of an unedited testament.

The OPO also played Stravinsky's 1919 *Firebird* suite, where Jansons engineered quite original balances – we heard some bold harmonic relations as if for the first time; and Dvorak's G major Symphony, darker and tauter than usual. It had begun with Ragnar Soderlind's *Trauermusik*, composed a quarter-century ago in response to the crushing of the Prague Spring: tough and terse (just 8 minutes long) but laden with complex feeling, rendered in sure orchestral strokes. Though Soderlind is no modernist, he sounds like a real composer whom we should know better.

David Murray

On Monday the orchestra made Strauss's *Alpine Symphony* a continuously gripping and enjoyable experience, bursting with colour and energy – and this in spite of two handicaps that in other circumstances could well have proved onerous, or even insupportable.

The first, of course, is that the work itself is twaddle virtually from beginning to end. The second is that the Oslo Philharmonic is not a "native" Strauss orchestra. Yet so brightly enthusiastic was the Oslo attack, so unflagging the players' appetite, that even your reviewer, the most erratic of Straussians, was won over.

The concert, which was televised live on BBC-2 and broadcast on Radio 3, opened with Alfred Schnittke's *(K)ein Sommernachtstraum* of 1983, a rather strenuous comic squib in the manner of Charles Ives. It then offered the Tchaikovsky Violin Concerto, with Midori, the Japanese Wunderkind, making her Proms debut. In the reflective passages she was lyrical, tender, velvety, exquisite; in the bravura ones rather effortful, unsparkling, as though diligently repeating a lesson carefully learned but incompletely absorbed.

Max Loppert

INTERNATIONAL ARTS GUIDE

Metropolitan Opera opens ...993-4 season on September ...y celebrating the 25th ...iversary of the Met debuts ...lacido Domingo and Luciano ...arotti. James Levine will ...duct stagings of Die Walküre ...l, Otello Act I and Il trovatore ...III. The cast also includes ...imir Chernov, Kallen ...erian, Waltraud Meier, Sherrill ...es and Hans Sotin. ...e season has five new ...luctions, three of which are ...as by Verdi. Domingo sings ...title role in Stiffelio (Oct 21), ...ed by Giancarlo Del Monaco ... conducted by Levine. This ...llowed by Dvorak's Rusalka ... 11), an Otto Schenk ...luction conducted by John ..., with Gabriela Benackova ...e title role. Pavarotti returns ...erdi's I Lombardi (Dec 2), ...cast that also includes Aprile ... and Samuel Ramey. ...ony Rolfe-Johnson is ...enbach in Colin Graham's staging of Death in Venice (Feb 7), conducted by David Atherton. The final new production is Otello (March 21), conducted by Valery Gergiev and staged by Elijah Moshinsky, with Domingo, Carol Vaness and Sergei Leiferkus.

The first new production of New York City Opera's current season is Tippett's The Midsummer Marriage (Sep 9), followed by a trio of new operas in early October - Ezra Laderman's Marilyn, Lukás Foss's Griffelkin and Hugo Weisgall's Esther. The New York Philharmonic's season opens on Sep 22 with a Beethoven and Shostakovich programme conducted by Kurt Masur, featuring violin soloist Itzhak Perlman. Carnegie Hall opens the following evening with a Philadelphia Orchestra concert conducted by Wolfgang Sawallisch.

EXHIBITIONS GUIDE

BALTIMORE
Museum of Art Classical Taste in America 1800-1840: 250 paintings, sculpture, furniture and other objects showing the attraction which early Americans felt to the classical style. Ends Sep 26. Closed Mon and Tues
BARI
Castello Svevo Corado Giaquinto: the late-baroque artist, who provided enormous altar-paintings for numerous Roman churches and was feted in European courts during his life-time, has since been unfairly neglected. This fine show, with works from European and American collections, attempts to set the record straight. Ends Sep 5
CHICAGO
Art Institute The Art of Holy Russia: 120 objects from the Russian State Museum in St Petersburg, dating from the 11th to 18th centuries. They include panel paintings, textiles, metal liturgical objects, miniature icons, manuscripts in medieval Slavonic script and objects carved from wood, ivory and stone. Ends Sep 15. Daily
DAVOS
Kirchner-Museum The Dance: a collection of drawings by the expressionist artist Ernst Ludwig Kirchner, inspired by his friendship with two great early 20th century dancers, Mary Wigman and Gret Palucca. Ends Oct 10
DIJON
Musée des Beaux-Arts The Golden Age of Dutch and Flemish Paintings: a selection from Catherine the Great's collections in the St Petersburg Hermitage. Ends Sep 27. Closed Tues
DORTMUND
Museum für Kunst China's Golden Age: 120 art objects from the Tang Dynasty (618-907 AD), including richly-ornamented golden vessels, porcelain, silks, brocade and figurines. Ends Nov 21. Daily
EDINBURGH
National Gallery of Scotland Holbein and the Court of Henry VIII: 28 portrait drawings and five miniatures from the unrivalled royal collection at Windsor. Ends Sep 26. Daily
Scottish National Gallery of Modern Art Russian Painting of the Avant-Garde: Kandinsky, Malevich, Larionov, Popova, Goncharova and others who flourished before the Stalinist suppression of innovation and experiment. Ends Sep 5. Daily
Royal Scottish Academy The Line of Tradition: 300 watercolours, drawings and prints by Scottish artists from 1700 to the present. Ends Sep 12. Daily
Scottish National Portrait Gallery Phoebe Anna Traquair (1852-1936): paintings, embroideries and illuminated manuscripts. Ends Nov 7. Daily
City Art Centre The Waking Dream: only British showing of the Gilman Paper Company collection of photographs, charting the development of photography through its first century from 1839 to 1939. Ends Oct 2. Daily
ESSEN
Folkwang-Museum Morosov and Shchukin, Russian Collectors: 120 works from the St Petersburg Hermitage and Moscow Pushkin Museums, representing the remarkable collection of French impressionists and early moderns built up by two Russian entrepreneurs in the early years of this century. Ends Oct 31. Closed Mon
FLORENCE
Casa Buonarroti Michelangelo - 18 masterpieces: these are the top drawings out of the 200-strong collection owned by the Buonarroti Foundation. All are of the highest quality, and all are signed by the artist. Ends Oct 30
Galleria del Costume di Palazzo Pitti Fashion at the Court of the Medicis: Florence's youngest museum celebrates its tenth anniversary with the results of a remarkable restoration job on the costumes worn by Cosimo, Eleonora and Don Garzia de'Medici at the time of their burial in the mid-16th century. Ends Dec 31
LONDON
Hayward Gallery Aratjara: the most comprehensive exhibition of Aboriginal art ever seen in Europe. Ends Oct 10. Daily
Royal Academy of Arts Pissarro's Series Paintings. Ends Oct 10. Daily
Tate Gallery Art and Liberation: painting and sculpture in postwar Paris 1945-55. Ends Sep 5. Turner's Painting Techniques. Ends Sep 12. Edward Burne-Jones: sketches from the museum's collection, underlining the 19th century English artist's skill as a draughtsman. Ends Nov 7. Daily
LUGANO
Villa Favorita Lost Empire of the Silk Road: a remarkable collection of 87 well-preserved pieces of Buddhist art from the 10th to 13th centuries, which lay buried under the sands of the Ghobi Desert, until they were uncovered during archaeological research in 1908. Ends Oct 31. Also 19th and 20th century paintings and watercolours from the Thyssen-Bornemisza Collection. Ends Oct 31. Daily except Mon
MARTIGNY
Fondation Pierre Gianadda Degas: his entire work as a sculptor, consisting of 74 bronzes of horses, dancers and nudes, surrounded by dazzling pastels, oils and drawings relating to them. Ends Nov 21. Daily
MOSCOW
Pushkin Museum Matisse: an abridged version of the recent shows in New York and Paris, but specially augmented by 130 paintings from Russian collections. Ends Sep 15, after which the show will move to the St Petersburg Hermitage.
NEW YORK
Guggenheim Museum Paul Klee: 60 works from the museum's own collection. Ends Sep 19. Rebecca Horn: first full-scale retrospective of the German artist. Ends Oct 1. The main museum is closed on Thurs, the SoHo site on Tues
Metropolitan Museum of Art Nudes: 30 works by Schiele, Klimt, Chagall, Picasso and Munch. Ends Oct. Abstract Expressionism: works on paper from the period 1938-67 by American artists. Ends Sep 12. Closed Mon
Museum of Modern Art Latin American Artists of the 20th century. Ends Sep 7. Chuck Close (b1940): 15 large-scale screen prints. Ends Sep 28. Closed Wed
PARMA
Magnani Rocca Foundation The Barilla Collection of Modern Art: paintings and sculptures by Picasso, Dubuffet, De Chirico, Magritte, Bacon, Sutherland and many other 20th century artists. Ends Nov 28. Closed Mon
SPEYER
Historisches Museum der Pfalz Three Millenia of Egyptian Culture: masterworks of Egyptian-oriental art from the Vienna Kunsthistorisches Museum. Ends Oct 3. Daily
VIENNA
Kunsthalle The Language of Art: a survey of the relationship between text and picture in 20th century art, from the Cubists to the present day. The exhibition features work by Picasso, Braque, Magritte, Klee, Jasper Johns, Warhol and the Arte Povera movement - plus a large group of contemporary artists including Jean-Michel Basquiat, Ian Hamilton Finlay and Christopher Wool. Ends Oct 17. Closed Tues
WASHINGTON
Walters Art Gallery Art from Korea: rarely-exhibited ceramics and other Korean objects dating from the third to the 19th centuries. Ends Sep 12. Kabuki Prints by Hirosada: designs by the 19th century printmaker, capturing climactic moments of favourite theatre plays. Ends Sep 26. Artists of Ecouen: 25 drawings recording daily life in late 19th century France, by a group of artists eclipsed by impressionism and the modern movement. Ends Feb 6. Closed Mon
Hirshhorn Museum Jean Dubuffet: 97 paintings, sculptures and assemblages by the unconventional 20th century French artist. Ends Sep 12. Daily
ZURICH
Graphische Sammlung der ETH Swiss graphic art from Alberto Giacometti to Urs Lüthi: an exhibition covering the past 50 years, with work by eleven artists who have won an international reputation. Ends Sep 24. Closed Sat and Sun

Showdown at the palazzo

Haig Simonian on rifts at the world's oldest bank

The whiff of scandal has penetrated the thick stone walls of Monte dei Paschi di Siena, the world's oldest bank. In five centuries of lending, through the bloody wars between the city states of Florence and Sienna and the unification of Italy, its reputation has never faced such attack.

Two members of its board were arrested earlier this year after allegedly receiving kickbacks for granting loans. They have been bailed pending trial. Soon afterwards, Mr Carlo Zini, managing director, stepped down, after being told by magistrates that he was under investigation on similar allegations.

The inquiries – against the background of Italy's 18-month political corruption scandal – caused a tremor along the Gothic corridors of Monte dei Paschi. Located in a fortress-like palazzo and founded in 1472, it is the second biggest bank in Italy after Banca di Roma in terms of branches.

At stake are more than Monte dei Paschi's image and the careers of a few individuals. Concerns prompted by Italy's corruption scandals will also have an impact on a longer-running debate in Sienna: whether to break the shackles which have bound the bank and city council for centuries.

There is no suggestion that the council has been involved in corruption. But investigations across Italy into links between politicians and business could tip the balance in a debate about whether Monte dei Paschi has to change to compete in Italy's increasingly aggressive banking sector.

With the Italian government keen to encourage competition, Monte dei Peschi's structure, which dates from its origins as Sienna's municipal pawnshop, was looking outdated even before Italy's corruption scandals erupted.

Controlled by the city council via a charitable foundation, the bank has neither the freedom of a quoted company to raise capital nor the discipline imposed by a wider shareholder base. The bank's board consists of just four members of the council and four bank representatives.

Adding to the pressure for a rethink on Monte dei Paschi's future has been a steep fall in its profits. The recession has forced the bank, like many others in Italy, to increase provisions against bad debt. Last year net earnings fell to just L8bn (£3.3m) from L238bn in 1991.

Monte dei Paschi is now the only big bank left in Italy tied so closely to its historical roots. In January, Turin's Istituto San Paolo, which also started as a pawnshop, was floated on the stock market, allowing it to tap shareholders for money and reducing suspicions that it is susceptible to political influence.

Transforming Monte dei Paschi into a limited company is the battle cry for younger managers and some in the banking world outside Sienna calling for radical changes at the bank. Such a move would bring tax breaks under legislation meant to encourage banks to move from charitable status and eventually to flotation.

"Executives know the bank must turn into a limited company if it is to remain competitive with other big banks, such as San Paolo, which have already made the change," says one manager. "But they can't force the issue. Public opinion in Sienna could block any changes that might compromise local control."

Resistance to change has come from the city council, dominated by the former Communist party, which is reluctant to relinquish local government control and sees little necessity for reform of the bank.

Mr Pierluigi Piccini, Sienna's mayor and the most prominent of the anti-reformers, says: "Not all successful banks are limited companies. There are plenty of financial institutions in the UK, France and Germany which do very well under municipal control."

He believes there is a close "moral bond" between the city and the bank, which has, under its charitable status, to offer half its profits to the community. "We have traditionally refused to take the full proportion of profits we are entitled to, prefering to leave the remainder to the bank to help finance its growth," says Mr Piccini.

The Siennese have traditionally defended the bond between city and the bank as tenaciously as they once fought to remain independent of Florence. In a city famous for its fierce internal rivalry, which finds expression in the twice-yearly Palio horse race, the bank is a symbol of unity.

Trying, discreetly, to steer a course between the radical reformers and opponents of change are Mr Vincenzo Pennarola, who took over last month as managing director, and Mr Giovanni Grottanelli de Santi, Monte dei Paschi's chairman, appointed last December. They are keen to take advantage of opportunities for regional and international expansion – Bank of Italy controls on territorial expansion by banks were relaxed in 1990. But Mr Grottanelli de Santi and Mr Pennarola are reluctant to sacrifice the links with the city which, they acknowledge, have ensured the bank's stability since its foundation.

They deny reports that they are determined to take the bank public, stressing instead that Monte dei Peschi must streamline its cumbersome structure.

The group comprises six, partly overlapping, banks. The parent company has 669 branches, while Banca Toscana, the biggest subsidiary, has a 259-branch network, much of it in the same Tuscan towns as its parent. Last year, regional duplication increased when the bank bought a municipally-controlled savings bank in Prato, also in Tuscany. In northern Italy, Credito Commerciale and Credito Lombardo, the group's two Milan-based banks, also overlap.

"Monte dei Paschi is a very unusual bank," says Mr Pennarola. "We have to decide on a future structure and are now preparing various options to put to the board within the next two months." But with local passions running high, Mr Grottanelli de Santi says steps on restructuring would not necessarily foreshadow the bank becoming a limited company. Conscious of the sensitivity of the issue, he goes out of his way to avoid a public confrontation with the city council. "We welcome the city's participation on our board," he says. "Find me another bank where the managing director or chairman are stopped in the street by old schoolfriends, or even strangers, and buttonholed about yesterday's decisions."

But Mr Grottanelli de Santi's carefully-chosen words cannot hide the debate over the bank's future. This year's corruption scandals have not helped the bank's image over the short term. If public opinion shifts in favour of creating greater barriers between politicians and business, it will test the relationship between the Sienna council and reformers such as Mr Grottanelli de Santi and Mr Pennarola.

Commuters in the south-east face steep fare increases, part of the inevitable fattening up process before British Rail is privatised

On the bandwagon

Privatisation need not mean price rises, says Michael Cassell

To the cynical consumer, the pattern looks familiar. With the government intent on privatising British Rail, leaked BR documents suggest passengers in the south-east lines face fare rises of up to 16 per cent.

The move is seen as the inevitable fattening up process before BR is auctioned off. The expectation is of further, stinging fare increases.

But the widely held perception that, whatever happens to the quality of service, privatisation spells bigger bills, can be wide of the mark.

The debate rages over excessive profits and executive rewards in privatised utilities, the first of which, BT, has been free of the state for nearly 10 years. But the evidence suggests consumers have few grounds to complain on prices.

Whether or not privatisation is responsible, businesses like BT, British Gas and, for some customers, the regional electricity companies can boast large real price reductions. Low inflation, rising competition and tough regulatory controls have played a part.

The price performances of some privatised businesses may look unduly flattering, since they are being compared with large price rises in the run-up to flotation.

It is impossible to say with certainty what prices would have beenif suppliers had remained in state ownership, though some observers believe they would have offered a better deal to customers.

The post-privatisation picture is not all roses for the consumer. The most obvious bad tidings came from the water industry, where demands for improved quality have imposed high cost burdens, likely to total £45bn, which are being passed to consumers.

Many electricity users, too, have faced significant price rises, although domestic bills this year have been reduced. But UK householders' be bills still compare well with others' in Europe.

Of the privatised utilities, British Gas seems best at trumpet-blowing, some claim unjustifiably. It claims prices to its 18m domestic consumers have fallen by 20 per cent in real terms since privatisation in 1986, making them the cheapest in Europe. Even with the planned 17.5 per cent value-added tax rate applied, they will be at the lower end of European prices.

The widely held perception is that privatisation spells bigger bills

For industrial gas users in general, the record is even better – with real reductions averaging 25 per cent since 1986.

Not everyone, however, is prepared to hand a bouquet to British Gas. Mr George Yarrow, of the Regulatory Policy Research Centre, says the real fall in domestic gas prices is almost entirely due to lower prices on arrival on the beach-head.

He stresses electricity prices, which rose sharply prior to privatisation in 1990, have not fallen in real terms since the sell-off. He suggests that average electricity prices were up to 25 per cent higher for domestic customers by 1992 and 19 per cent higher for industrial consumers than they would have been if earlier price trends had continued.

But Prof Stephen Littlechild, electricity industry regulator, says the arrival of competition in 1990 led to big price falls for industrial users; despite rises since then many prices remain lower in real terms than before privatisation.

Big customers on interruptible gas contracts – they pay less and run the risk of having supplies temporarily cut off – benefit from some of the lowest comparable prices in Europe. Yet some, like ICI, British Steel and Blue Circle Industries are fighting to scale down price rises. Since privatisation, they have had to buy supplies daily on the spot market, whereas before they could strike their own deals with the old Central Electricity Generating Board.

For BT, which in 1984 led the privatisation bandwagon, criticism of some high call charges has obscured the overall real fall in bills.

But then the Post Office, too, has done well since it split away from BT in 1984.Postal tariffs will rise in November after a two-year freeze, but average letter prices have fallen by 10 per cent in real terms in the past decade.

BT rates for local calls – covering a wider range than in many other countries – remain among the most costly in Europe and North America. But international call charges – subject to increasing competition from Mercury – are among the cheapest. Transatlantic call costs are down more than 40 per cent since the BT sale.

Oftel, the industry watchdog which regulates BT by monitoring a basket of its services, says overall prices have fallen in real terms by at least 25 per cent since privatisation.

Domestic subscribers with "medium-sized" bills – an average £44 a quarter – have seen a 5 per cent average reduction since 1989. Significantly higher line rental charges – up by about 40 per cent since 1988 – have partially offset lower call charges.

The water and sewerage industry has had no good news on prices since privatisation in 1989. But it claims to have to correct decades of under-investment. Average household water bills have risen by almost 37 per cent more than the RPI in the past five years.

Consumer surveys by Anglian Water and Welsh Water have found that consumers will accept still higher bills to help pay for water improvement programmes.

If the privatised businesses have a mixed record on prices, their future performance seems as likely to depend on the disciplines imposed by their respective regulators as on the varying degrees of marketplace competition they face.

As for passengers of a privatised railway system, the expectation is that to help revive a loss-making industry in long-term decline, prices will have to rise before and after privatisation.

The government says privatisation will offer more and better trains at attractive fares. In the grand tradition of railway passengers, they will have to wait to find out.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Simpler is better for setting out tax rules

From Prof D R Myddelton.

Sir, Malcolm Bacchus is right to complain at the government's miserable failure to deal with the enormous and unnecessary burdens of the tax and accounting regulations ("Companies still weighed down by burden of tax regulations", August 24).

For example, why does the Companies Act need to take more than 50 pages on "Form and Content of Company Accounts"? Why not just have a single brief section? It could say: "The accounts of companies, and of groups of companies where appropriate, should give a true and fair view of the state of affairs of the company or group as at the end of the financial year, and of the profit or loss for the financial year."

If one wanted to elaborate, there could be a second sentence spelling out what is currently implied: "It would normally be expected that a set of accounts would need to comply with current accounting standards in order to give a true and fair view, though this might not be so in exceptional circumstances."

That would not only save much needless verbiage, it would eliminate the existing contradictions between company law and accounting standards, for example with respect to stock valuation, development costs, depreciation, research, deferred taxation and pensions.

As for tax, hundreds, probably thousands, of the most intelligent people in the country waste their time trying to interpret tax rules. May I ask how many civil servants are employed full-time on trying to find ways to *simplify* the rules?

D R Myddelton,
Cranfield School of Management,
Cranfield Institute of Technology,
Cranfield,
Bedford MK43 0AL

Economists cannot price environment

From Dr Jörg Schimmelpfennig.

Sir, Your leader writer's recommendation that the environment should have a price tag on it in the same way that other goods have, and that environmental policy should be based on such a price, is highly questionable ("Valuing the environment", August 19).

At the same time it sets the very same trap that Prof Lawrence Summers, the World Bank's chief economist, walked into with his infamous leaked World Bank memo last year (see "Save planet earth from economists", February 10 1992). Prices do nothing but reflect both people's (marginal) willingness to pay and their ability to pay.

However, as ability to pay obviously depends on income, willingness to pay depends on the prevailing income distribution.

To place environmental policy on such a footing provides a perfect justification for, say, South America to cut down its rainforests and Europe to export its waste and, thus, pollution, to Africa. It is perfectly efficient, isn't it?

If that is what economics is actually about, then economists had better renounce their claim to being responsible policy advisers.

I doubt whether you are really serious about these implications.

Dr Jörg Schimmelpfennig,
Department of Economics,
University of Osnabrück,
49069 Osnabrück,
Germany

Local authority contracts threatened by transfer rule

From Sir Brian Hill.

Sir, One interpretation of the recent employment appeal tribunal decision in Wren versus Eastbourne Borough Council could be that the contracting out of local authority services will be caught by the Transfer of Undertakings (Protection of Employment) regulations.

If the local authority work is judged to be a transfer of an undertaking under the regulations, council employees who had previously carried out the work are automatically transferred to the contractor on their existing terms and conditions of service.

Such an interpretation would have profound implications for contractors in areas such as building maintenance, and is, in my confederation's view, absolutely wrong.

The tribunal's decision in the Eastbourne case simply emphasises the need to take into account the various European cases on the Acquired Rights Directive, from which the TUPE regulations are derived. Whether a transaction constitutes a transfer must be determined in accordance with the circumstances of each case.

Both of these principles are already part of the legal framework of the TUPE regulations.

Even if, the industrial tribunal currently reviewing the Eastbourne case finds that there was a transfer, such a decision is unlikely to mean that contracts for building maintenance work are any more likely to be caught by the regulations. This is because there are two important points of distinction between this case and the circumstances that apply to most building maintenance contracts: the contractor in the Eastbourne case employed over half the council's staff and took over its premises and vehicles.

A transfer of employees and a transfer of assets are two of the most important factors pointing towards a transfer within the meaning of both the TUPE regulations and the Acquired Rights Directive. So it would not be surprising if the industrial tribunal concluded that a transfer had occurred.

In any event, this case does not remove the serious concerns felt within the construction industry about the effect of the TUPE regulations on the government's compulsory competitive tendering policy. As things stand, far from protecting employment the TUPE regulations are having the effect of inhibiting contractors from taking on public sector work. This, in turn, is resulting in higher jobless figures in the construction industry.

What is needed is the amendment of the European Acquired Rights Directive to make it clear that these regulations do not apply either to the contracting out of work by councils or to the taking over of contracts from insolvent companies.

My confederation strongly welcomes government support for such an amendment and wishes to see early action by the European Commission to achieve this objective.

Sir Brian Hill,
president,
Building Employers Confederation,
82 New Cavendish Street,
London W1M 8AD

UK should set example on equality

From Mr Onésimo Alvarez-Moro.

Sir, I wonder how many women the FT has on its editorial team? Not many, judging by the leader "Equal pay for women" (August 25). In censuring the Equal Opportunities Commission's move to take the government to the European authorities, the FT is caught with its equality pants down.

It is absurd to suggest that women should be satisfied with their lot just because they have found it easier than men to get jobs. They have had to accept more precarious, part-time and less remunerative jobs (even for the same work done). Should they be grateful for the favour?

It does not lessen the farce that we have narrowed the wage differentials to 80 per cent. We are still a long way from equality, regardless of what other countries are doing.

It is true that other countries need to do much more, but let us teach by example.

As for Mr David Hunt, the new employment secretary, he need not fear. European court actions unfortunately take a long time. All Mr Hunt need do is eliminate the inequalities in order to stop any action in its tracks. The ball is in his court.

While we continue to consider women as a minority – even though they make up over 50 per cent of the population in the UK – their unjustifiable treatment can be expected to persist.

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Bundesbank stays tough

YESTERDAY'S interest rate cut that did not happen was as revealing as the dog that did not bark. The Bundesbank is trying to tell the world something. Others should listen carefully and respond sensibly.

It sometimes seems a pity that analysis of financial markets is dominated by *les Anglo-Saxons*. They are right when recognising the limits on the ability of governments to override markets. But it seems almost impossible for non-German analysts or even non-German politicians to understand what the Bundesbank is about.

Surely, they have been saying, the Bundesbank would not persist with its tired monetarism, especially when monetary growth is a mere one per cent above its target range. Would it really impose a savage recession in order to push inflation from 4 to below 2 per cent, when higher administered prices explain much of the inflation? Would the Germans tolerate such severity when they are struggling with unification? And what about Mr Kohl, slayer of Bundesbank inhibitions on German monetary union, would he allow the ERM to be put to the sword?

The answer to all these questions, we now know, is yes. The Bundesbank does believe in monetary targeting. Enough of the Germans who matter will not merely put up with its policy, but support it. And as for Mr Kohl, he neither can nor will do anything to halt it.

Interest rates are a decision for the Bundesbank, said Mr Kohl yesterday during his summit meeting with the French prime minister, Edouard Balladur. This did not prevent the German chancellor from reiterating his desire to see Europe's economic and monetary union implemented on schedule, with the familiar proviso that participants should first meet the Maastricht Treaty criteria. Since this is precisely what the Bundesbank has made difficult to achieve, Mr Kohl might be accused of wanting to have his cake and eat it.

D-Mark appreciation

Mr Hans Tietmeyer, the Bundesbank's president designate, is another open to the same accusation. He wants to be free of the costs but still enjoy the benefits of the ERM, by arguing that a substantial appreciation of the D-Mark would be undesirable. Since yesterday's decision not to cut the discount rate also rules out further reductions in market rates, which are close to their floor, he is telling other European countries not to lower their rates of interest more than modestly. Presumably he is feeling the pressure from worried German exporters.

In other ways, Mr Tietmeyer is a liberated man. He is freed from worry about his promotion, while the institution he is about to head is freed from day-to-day worries about the ERM. Even though the trend in German short term interest rates is downwards, that decline is now likely to be slow and the disinflationary pressure persistent.

Lower rates

One reason for this is the Bundesbank's determination to restore the D-Mark to the ranks of the world's low inflation currencies. In addition, it needs to sterilise the exchange market intervention that accompanied the ERM crisis. Moreover, to have failed to lower rates in July, when that might have saved the ERM, only to do so now would pour petrol on the flames of resentment.

Whether the Bundesbank is right to remain so hawkish, though an intellectually important question, is beside the point in practical terms. What is not beside the point is whether other European countries, notably France, are right to go on shadowing the D-Mark when the exchange rate link is broken. What is the point of having flexibility if the authorities will not exploit it?

France is worried about the effects on European monetary co-operation of uncoupling its interest rates from those in Germany. It is worried too about its own disinflationary credibility. Both concerns are overdone. It was not French, but German policy that undermined the ERM. It is not French, but German insouciance that threatens the achievement of Emu. It is not the French, but the German economy that suffers from stubborn inflationary pressures. France and the other European countries afflicted by unnecessary recessions should exploit their freedom of manoeuvre. If they do not do so now, they will be forced to do so later.

Big trouble at Volkswagen

AS GERMANS yesterday witnessed the astonishing sight of police officers swooping upon the premises of Volkswagen and the homes of VW executives, they must be reflecting that nothing the German car-maker has done this year has been in character.

The decision to bring in as chairman the hard-driving Austrian, Mr Ferdinand Piëch, with a remit to jolt VW from its losses and lethargy; the recruitment from General Motors of the flamboyant Basque, Mr José Ignacio López de Arriortúa, as VW's production director; and finally, the mix of scorn, bluster and diplomacy with which VW responded to charges that Mr López's value to his new employer had been augmented by an unspecified quantity of information and material stolen from GM. It is as if a portly middle-aged man, after a lifetime of grey suits and regular habits, had taken to designer sports-wear and dark glasses.

Such changes in regime are always dangerous; indeed they sometimes lead to heart attacks. That does not mean they can be avoided; it means they must be properly planned and carefully supervised.

The case for ambitious change at VW was and is beyond argument. Its costs are too high and its speed of reaction too slow. When those weaknesses were tested by a recession in the company's domestic market, the result was a collapse in profits. Mr Piëch seemed like the man to meet the challenge. He has vision and a track record in managing change.

Serious mistakes

It is time, however, for him to acknowledge that he has made serious mistakes. Whatever the basis of the allegations against Mr López, he was unwise to place such heavy reliance upon the talents of a single individual to effect a cultural transformation in the way VW makes cars and deals with suppliers. Mr López may be a star, or a "change agent" in the business school jargon, but change on this scale requires consent, which cannot be produced only by force. It also goes without saying that in demanding painful change, the proponents have to be unimpeachable in terms of their own integrity. If not, they will be exposed, quite possibly by those whose interests are threatened.

Mr Piëch's other big error has been the way he has dealt with GM's allegations. The right thing for companies to do in these circumstances is to remain calm and to announce that such grave charges will be fully investigated. Instead, Mr Piëch responded first with counter-allegation (that GM had planted documents on VW), with intemperate words and finally with an attempt to mend fences, using the good offices of Mr Günter Rexrodt, the economics minister. VW's public relations, veering wildly between surly silence and noisy expostulation, has been a disaster.

Deep gloom

Mr Rexrodt himself cannot survey the affair with anything but the deepest gloom. His mediation has had no effect and should not have been attempted in the first place. His motive, to prevent further damage to the image of German industry, and especially to VW, which is in part a state-owned company, is understandable, but it is not the job of government ministers to intervene when a serious criminal investigation is in prospect. The modernisation of German industry, which must include increased transparency in the way that companies are governed, requires that ministers play a more restrained role.

Probably the most encouraging aspect of yesterday's events is that they show the state prosecution system, initially sluggish in its response to GM's allegations, to be somewhat zestful in its determination to get to the bottom of the López affair. It is now in the interests of VW, German industry and Germany itself that this process be completed as speedily and effectively as possible.

It cannot yet be predicted what that means for Mr López or for Mr Piëch; the VW board will have to judge where the best interest of the shareholders lies. For the company's suppliers, whose excessively high costs were to be the target of the Piëch-López onslaught, it is a time to marvel at the chaos and to remember that when this particular battle is over, someone from Wolfsburg will back, with a demand that they cut their prices, or else.

Deadly delays as winter approaches

Is this the last chance for Bosnia's warring factions to reach an agreement, ask Gillian Tett and Laura Silber

As the Bosnian parliament meets in Sarajevo's battle-scarred Holiday Inn hotel today to debate the latest peace plan drawn up in Geneva, it does so to the sound of an international ultimatum.

If western negotiators are to be believed, today's meeting represents the last chance for the Bosnian government to agree a settlement – either it must accept the plan to divide Bosnia into three ethnic mini-states, before returning to the negotiating table in Geneva on Monday or, inevitably, it must face further bloodshed.

Such an ultimatum is unlikely to have much effect, however. Although the Serbs and Croats seem likely to accept the deal when their own parliaments meet today, the Bosnia government seems set to demand revisions for as long as it believes it can force a better deal either by stepping up the threat of western military intervention or by continuing the onslaught in central Bosnia.

An attempt by the country's weak, multi-ethnic government to stall would be understandable. Both alternatives on offer – agreement or further fighting – are undesirable. If the Moslem-dominated leadership says "yes" to the plan, they will be accepting a "solution" that not only legitimises the dismemberment of Bosnia and with it their military defeat, but which also seems unworkable.

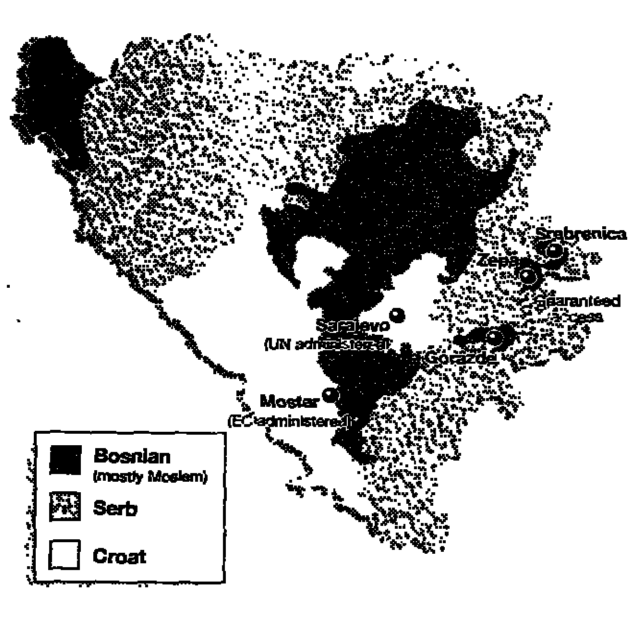
The new map of Bosnia would give the Serbs a geographically contiguous republic covering 54 per cent of Bosnia, and borders with Serbia and Croatia; the Croats would have 17 per cent of the territory, divided into two parts, one of which touches Croatia; the Moslems, who formed 43 per cent of the population before the outbreak of war, would be scattered between four disjointed chunks of land, wedged between two hostile states. "Bosnia" would be little more than a name on a map.

Vital questions would remain: where would ethnically mixed Bosnians live; who would govern the capital Sarajevo and the southern town of Mostar after the proposed two years of United Nations and European Community administration; how could the Moslems be guaranteed access to economic supply lines via the Adriatic Sea and River Sava in the north?

A senior American official in Washington commented: "That anyone could even think this map would be workable shows how desperate the situation is. This is really the end of the Moslems."

And yet, as the international mediators, Lord Owen for the EC, and Thorvald Stoltenberg for the UN, have repeatedly stressed, if the Moslems reject the plan today, they face intensified aggression.

Bosnia-Hercegovina: the proposed partition



A Bosnian woman at the graves of two of her grandchildren in Sarajevo. The children were killed by Serb artillery

Mr Radovan Karadzic, the Bosnian Serb leader, has warned that a rejection by the Moslems would trigger an all-out assault by the Serb armed forces, who now control 70 per cent of Bosnia in an arc of territory in the north and east – almost all their military gains.

The Bosnian Croats, smarting from a series of recent Moslem victories in central Bosnia, seem even more ready to continue the fight. Some Moslem commanders believe that they could sustain further Croat assaults, and want to expand the land they have wrested back in the past four months.

But if the two options facing the Moslems seem to provide enough motivation for them to stall, either potential outcome of today's meeting threatens fresh diplomatic embarrassment for the west. The US and its European allies are still far from ready to police a partition. They remain even more divided about what course to pursue if the Moslems reject the agreement.

Earlier this week, Lord Owen admitted that without Nato backing, and a peacekeeping force larger than any seen in the United Nation's history, the agreement stood little chance of being signed, let alone implemented. How many peacekeeping troops would be needed is unclear. Mr Stoltenberg has suggested 40,000, in addition to the 10,000 on the ground in Bosnia. Most military experts believe this is an optimistic assessment.

However, given the UN's current financial crisis, and indecision at Nato's highest levels, finding even 40,000 troops would require considerable diplomatic effort. UN secretary-general, Mr Boutros Boutros Ghali, today indicated that it was unlikely that the UN could provide such a force. The British and French governments insist that the political will in Europe to deploy peacekeeping troops is still there. But, symptomatic of the footdragging, they say that without a settlement, they cannot give assurances about how many troops might be deployed, or when.

In practice, though, the main stumbling block to deployment is a lack of firm commitment from the US. America's unwillingnes to deploy ground troops – while pushing for air strikes that might endanger the European ground troops already deployed – has rankled European leaders and fuelled transatlantic tensions.

Most European allies insist that the bulk of a peacekeeping force must come, at least initially, from the US. But though US administration officials say their earlier commitment to assist in implementing a peace agreement stands, they have avoided any specific discussion of the size or type of involvement.

But if a peace agreement poses a policing quandary for the west, the possibility that the Moslems will reject the plan poses almost insupperable uncertainties. After a year of stop-start negotiations, many western diplomats view the prospect of more peace talks in Geneva with dismay.

One British foreign official said this week: "We cannot start the negotiations from scratch again. If Lord Owen asked for more negotiations then we would support him, but we can't have the negotiations all over again."

One factor influencing diplomats may be the suspicion that the two mediators are increasingly acting out on a limb – a view that grew this week after reports that they had not consulted European governments before suggesting that Mostar should be run by the EC.

But if the latest peace plan crumbles, the alternatives for the western allies – that they should either withdraw their humanitarian efforts from Bosnia completely or intervene with a large-scale military force to make the Serbs relinquish land – remain, European diplomats say, almost unthinkable.

The US has, in the past, embraced the idea of tougher action against the Serbs. However, calls for air strikes earlier this year were greeted with deep reluctance in Europe. So far, there is no sign that the British and French governments have changed their opposition.

A few lone voices can still be heard in Washington, demanding a lifting of the arms embargo against the Bosnians. But in spite of the deep moral distaste felt throughout Europe at the apparent abandonment of the Bosnian Moslems, the European allies have shown no sign of accepting either a lifting of the embargo, or a full-scale military intervention.

And though German officials – and the press – continue to grumble with frustration at British reservations about becoming embroiled in the conflict more deeply, there is no sign that they are prepared to do more than seek fresh humanitarian initiatives, and to bring their diplomatic influence to bear on a recalcitant Croatia. Some American officials have also turned their attention back to Croatia, suggesting that if the Croats continue their blockade of Mostar they could face economic sanctions.

In the UK, the government has mainly confined itself to trumpeting the extent of its aid commitment to Bosnia. Although it has set up a high-level military command to control its operations in the region, military officials admit that its main task so far has been drawing up plans for emergency withdrawal of troops if the three warring factions turn their guns on the allies.

But as western dithering continues, winter is approaching. With aid agencies warning that the suffering this winter could be worse than anything so far in the 17-month conflict, the fear remains that if President Alija Izetbegovic, the Moslem leader, stalls, and fighting grows more ruthless, by next spring there may not be a Holiday Inn left standing in Sarajevo – or even a Bosnian leadership left to meet in it.

Additional reporting by George Graham in Washington and John Ridding in Paris

US should go softly, softly on China

PERSONAL VIEW

President Bill Clinton has made a tough choice in imposing trade sanctions against China for apparent violations of international arms controls. Sanctions may have been an effective weapon against China in the past, but the emerging global realignments make their efficacy more questionable and the risks higher.

The US move – especially if followed by further sanctions directed against China's repressive internal regime – could drive the Chinese, and ultimately the members of the Commonwealth of Independent States, away from the west.

Until the breakup of the Soviet Union, China was regarded by the west as an important counterweight to Soviet power; it is now thought to have little strategic importance. But the west should recognise that China is almost guaranteed to become an economic superpower and that it could easily grow to dominate and influence the economies of the CIS countries.

The CIS countries are currently determining whether to seek long-term strategies of economic integration with the west or whether to turn inward. While the US is pouring billions of dollars into those countries in the hope of persuading them to integrate with the west and adopt democratic institutions, it is virtually ignoring the profound implications of the emerging Sino-CIS rapprochement.

The risk of the CIS turning away from the west is great despite its short-term dependence on aid.

When President Boris Yeltsin visited China late last year he signed 24 agreements that he said gave the Chinese a headstart over the west in developing links with Russia. With $6bn in bilateral trade, China is the only country that is expanding trade with Russia. Official border trade has exploded from less than $100m in 1987 to $2bn in 1992. The actual trade volume is substantially higher, as indicated by the more than 3,000 arrests along the frontier for smuggling offences last year.

There is an undeniable degree of economic complementarity between China and the CIS, with China's consumer goods being traded for CIS raw materials and heavy industrial technology. What is more alarming is that many of the central Asian republics are adopting the "Chinese model" in which autocratic rule coexists with economic liberalisation.

It is the success of this autocratic regime in countries like China, Singapore, Taiwan and South Korea that makes extracting internal political concessions so difficult, even though the cost could be losing most favoured nation status.

If the CIS develops along the same lines as China both could become isolated from the west

Many Asian business leaders believe that economic growth has priority over political freedom and that without the strong hand of government such growth may be doomed. They point to Taiwan and South Korea as examples of where patience with the authoritarian ways of government has led not only to a stronger economy but ultimately to increasing political freedom. And they cite Russia as an example of where pushing political freedom too quickly can make it impossible to achieve economic growth.

This is a point not lost with the governing elites in Moscow.

Against this backdrop, any efforts by Mr Clinton's to force China to make internal reforms are likely to have at best a cosmetic impact on freedom. For example, the Chinese may agree that no prison labour is to be used on products exported to the US. But that does not stop them from diverting prison labour for domestic uses and/or exports to other nations.

In the meantime, China does not stand still. Where possible it is diversifying its export base away from the west. Despite a rapid expansion of total trade, China is no more dependent on the US and European Community than it was in 1989. Apart from the CIS it has dramatically expanded trade with former foe Japan and opened ties with another former foe, South Korea.

If, through protracted economic failure, the CIS develops along the same lines as China, and China continues to diversify its export base, then both could become gradually isolated from the west. At that point the US would no longer be so cavalier about its position towards China.

In order to hedge against this risk, US foreign policy must now draw China's economy further towards the west. If it is successful, then even if the CIS does go the way of China, it is still be likely to become integrated with the west. That would help preserve peace and freedom.

William A Mundell

The author is president of the WEFA Group, an international economic consulting firm.

OBSERVER

Hitting the target

■ The stuffier fans of *The Archers*, BBC Radio's rural soap opera, hate the realistic notes creeping into their beloved programme. Only yesterday Baroness von Twickel wrote to The Times complaining that the sheer noise of recent programmes has nearly driven her to apostasy.

Her letter was triggered by this week's high point – the re-enactment of a real English Civil war battle 350 years ago. The Sealed Knot, one of the main real-life societies which mounts "living history" re-stagings of battles, sieges and occupations was even given a walk-on part.

But, here again, *The Archers* is not a patch on reality. A fortnight ago, in what was supposedly a peaceful restaging of Royalist life in Stokesay castle in rural Shropshire, all hell broke loose when a female member of The Sealed Knot showed up (in male 17th century dress) at an event staged by the arch-rival English Civil War Society for English Heritage.

Flanked by their imposing pikemen, officials of the society barred her way into the castle, even though she had paid her entrance fee. After much cursing and swearing, during which the audience realised only gradually that the confrontation was for real, she was forced to leave.

Behind the confrontation lies not only the fact that the society considers itself far more purist than The Sealed Knot, from which it broke away some years ago, but that living history is becoming almost as big business for societies which mount such events in Britain as it already is in America.

Devotion

■ No Toil for union leaders. And no overtime either. No, they said, time off in lieu would simply not do. A conference to discuss the future of the unions at a luxurious hotel in leafy Surrey at the *weekend*?

So the brothers and sisters, loath to sacrifice their leisure time, will be holding this important pow-wow at the Shepperton Moat Hotel mid-week. They have obviously taken a leaf from the book of a colleague of Observer who will only meet for breakfast the person with whom he has spent the night.

Out-classed

■ Three years ago, Observer predicted that the new, thrice-yearly Treasury Bulletin, the slim azure paperback of austere articles about monetary targeting and other economic arcana, would soon become a collector's item.

Yesterday, the prediction came true. The Treasury confessed that

'I notice the fathers weren't even around to be absent'

the latest volume was the last edition of a publication whose cover price has risen almost as fast as interest in its contents has dropped. When it comes to value for money, the Treasury has never been able to match the Bank of England quarterly bulletin.

For £7.50 the Treasury offers 65 pages, whereas the Bank provides 120 pages for the same price. A bigger problem, though, was content. Treasury economists dreaded being told to write for the publication, and their turgid style soon produced such disappointing circulation figures that even HMSO, the publisher, became concerned. When circulation dropped below 500, compared with the quarterly bulletin's 5,500 copies, the Treasury had little choice but to admit yet another mistake and scrap the venture.

Share beat

■ Prize for the most improbable reason for share price movements this week goes to Smith New Court. It reported that shares on Thailand's notoriously volatile Stock Exchange jumped on Wednesday following news that Michael Jackson was unable to perform a scheduled concert. SNC's explanation was that disappointed fans flocked back to trading rooms "to drown their despair in a round of active punting".

Pool tax

■ As any white South African will tell you, having your own swimming pool is more trouble than it's worth. Pool-owners spend hours fiddling with chemical testing kits, "backwashing" the filter system, and dumping in alternate amounts of chlorine and acid.

Now, as though life were not tough enough already, an official of the Cosatu union, the ANC's closest ally, has said a future government would tax swimming pools. One caller to a Johannesburg radio station yesterday said it was the last straw; he had decided to emigrate.

Given that a senior ANC official recently promised to confiscate half of every South African's assets as a sort of guilt tax for apartheid, it is probably not worth worrying about a pool tax. It will be far easier to fill in the wretched hole than persuade the exchange control authorities to let you send half your capital abroad.

Well wisher

■ Queens Moat Houses, the struggling hotels group, has just provided a splendid modern example of the ancient Roman principle of *memento mori*. At yesterday's annual meeting of Queens Moat, in the resplendent surroundings of the New Connaught Rooms, shareholders were distracted by the sight of a balloon, presumably left over from the debauches of the night before, bobbing against the ornamental ceiling.

As the lately appointed managing director Andrew Coppel went through his address, the balloon descended gently to hover behind his head. The message printed on it? "Enjoy retirement."

Soft option

■ How many computer programmers does it take to change a lightbulb?

It can't be done. It's a hardware problem.

FINANCIAL TIMES
Friday August 27 1993

Decision could delay French cuts, say economists

Bundesbank leaves key interest rates unaltered

By Quentin Peel in Bonn, John Ridding in Paris and James Blitz in London

THE German Bundesbank yesterday stood firmly by its monetary policy, refusing to cut its key interest rates in spite of expectations by the financial markets.

In a renewed demonstration of its determination to take a long-term view of inflation prospects and the growth of money supply in the German economy, the central bank council declined to react to the latest slight easing in the inflation rate. It left its discount rate at 6.75 per cent. and the Lombard rate at 7.75 per cent.

Economists in Paris said the decision could delay reductions in French interest rates. But they said France would still pursue its policy of step by step cuts in borrowing costs.

"There might be a tactical wait before the next move" said Mr Christopher Potts, economist at Banque Indosuez in Paris. "But French rates will continue to head downwards and the momentum of falling money market rates should be maintained."

Speculation about a cut in German rates centred on a statement by Mr Hans Tietmeyer, the vice-president of the Bundesbank, that further appreciation of the D-Mark was "undesirable," and on a reduction in the inflation rates for three of the largest federal states.

However, the latest money supply figure, for the M3 broad measure of money supply, showed a growth rate of 7.5 per cent in July, well above the 6.5 per cent upper limit of the bank's target range.

The decision not to move on interest rates came as a disappointment to dealers in financial markets and to the German government, which is looking for a steady reduction to help revive the German economy.

The French franc and other European currencies came under pressure after the Bundesbank meeting. The franc closed at FFr3.502 to the D-Mark, nearly 3 centimes down on the day. The Belgian franc fell particularly sharply, undermined by a declaration from a group of Flemish economists earlier this week that the currency should break its link with the D-Mark.

The Bundesbank council meeting was the first since late July, when its refusal to cut its discount rate precipitated currency turmoil within the exchange rate mechanism of the European Monetary System.

Neither Mr Helmut Kohl, the German chancellor, nor Mr Edouard Balladur, the French prime minister, was prepared to criticise the Bundesbank after their talks in Bonn yesterday, at which they sought to patch up differences over the EMS debacle.

Editorial Comment, Page 13
See Lex

Babangida steps down but army still rules in Nigeria

By Paul Adams in Abuja and Leslie Crawford in Lagos

GENERAL Ibrahim Babangida yesterday stepped down as Nigeria's military ruler and installed a non-elected administration of civilians and soldiers, in which the military is expected to retain an upper hand.

It remains unclear, however, what role, if any, will be played by the man who seized power in 1985 and has since postponed the handover to civilian government on three occasions.

The composition of the administration was also uncertain, although civilians are expected to outnumber the soldiers.

In a prepared speech due to be broadcast last night, Gen Babangida said: "I believe the time has come for me, my service chiefs, deputy chief of defence staff and inspector-general of police to give way to a new set of leadership to propel our march towards lasting civilian democratic governance at all levels of our country."

He urged Nigerians to give the interim government a chance to finish the transition to civilian rule. The new administration's length of tenure has not been announced.

Chief Ernest Shonekan, head of the outgoing administration which served under Gen Babangida, was named as Nigeria's head of government.

Gen Sani Abacha will keep his post of defence minister in addition to the new post of vice-president. Gen Abacha played a pivotal role in pressuring Gen Babangida to quit office.

Several members of the outgoing transitional council, appointed by Gen Babangida eight months ago to oversee the change to civilian rule, are expected to stay on in new jobs.

Gen Babangida leaves a bankrupt legacy. During his eight-year rule, Nigerians saw their country drop out of the club of middle-income nations to join the impoverished. Per capita income fell from $1,000 in 1980 to under $300. The naira, once worth more than the dollar, is now worth only a few cents. Nigeria owes around $34bn to foreign creditors, including arrears.

THE LEX COLUMN

The Bundesbank sticks

It has taken financial markets a long time to understand that the collapse of the ERM also gave Germany freedom over monetary policy. Yesterday's Bundesbank decision to leave official interest rates unchanged means that, unlike its partners, it is using that freedom. France would still like lower German rates so that it can follow suit without jeopardising the franc, but Germany is now concentrating on purely domestic considerations. The rate of money supply growth, in particular, does not currently warrant lower rates.

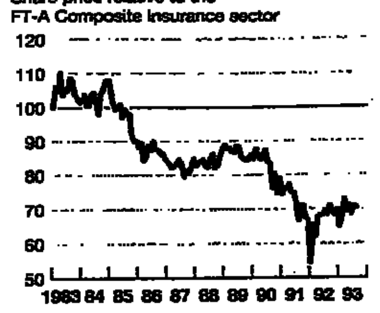
If that was true yesterday, it will almost certainly be true in two weeks' time. So those who think the Bundesbank was simply deferring any decision until its next meeting could end up disappointed. Indeed the bank's readiness yesterday to deny itself any additional room to manipulate money market rates lower suggests it is in no hurry at all. It may now be several weeks before a further cut can be expected.

That puts countries like France, Denmark and Belgium in a spot. The best practical solution might be concerted interest cuts of their own which would limit the exchange rate uncertainty. Given the pressures, they will have to find some way of lowering rates, which may explain why bond and equity markets remain so relaxed. The Bundesbank's behaviour, though, makes the recent strength of Frankfurt equities look distinctly odd.

FT-SE Index: 3079.2 (0.0)

Guardian Royal Exchange

Share price relative to the FT-A Composite insurance sector



Source: Datastream

Guardian Royal

All credit to Guardian Royal Exchange for grasping the nettle of new European accounting rules by including investment gains in profit. The old format, under which only investment income flows through the profit and loss, makes an arbitrary distinction between yield and capital gain. If the accounting change focuses attention on how insurance companies invest shareholders' funds, so much the better. Yesterday's figures demonstrate that investment performance often matters more than underwriting.

GRE's net assets have risen by more than half over the last year despite net underwriting losses. There is room to doubt the company's claim that such returns are the result of deliberate strategy. The £40m gain from Irish gilts, for example, looks fortunate. Whether such returns justify the degree of investment risk is an open question. Until insurers improve the quality of disclosure on their distribution of investments it will remain so.

One might also wonder whether large investment gains are compatible with underwriting profits other than in the short term. Having restored insurance profits by shedding business, GRE would doubtless relish the opportunity to take the initiative. With a solvency ratio of 55 per cent, the best in the sector, it can afford to do so. Yet GRE's record of picking the right route for expansion is less than comforting. That amounts to an argument for caution even if that means returning surplus capital to shareholders, however enticing the investment returns might seem.

Rentokil

So much for worries about Rentokil's ability to keep earnings growing by 20 per cent a year. Thanks to some impressive work on margins in the first half, it remains comfortably within that target, even after stripping out exchange rate effects. That should keep the faithful satisfied for a while. Its growth ambitions are growing harder to satisfy just the same.

UK margins approaching 30 per cent simply cannot be pushed much higher. Rentokil thus has to rely on volume growth. Its recent purchase of Securiguard could help. But it is still likely to need a steady diet of further acquisitions. Although Securiguard has eaten up the £74m net cash on its books at the half year, Rentokil could easily accumulate a further £100m by the end of next year.

Yet with net assets low in proportion to its business, Rentokil cannot afford to write off much goodwill. Any large acquisitions might therefore have to be accompanied by a share issue, for much the same reason as MB-Caradon launched a rights issue to help pay for its purchase of Pillar from RTZ. The difference is that, unlike Caradon, Rentokil has a large single shareholder: Denmark's Sophus Berendsen owns nearly 56 per cent. Rentokil must hope that, if the need does arise, Berendsen will put its money on the table. Its failure to do so would be a clear signal that others should sell.

Volkswagen

Volkswagen's half year figures suggest that profits are now haemorrhaging more slowly, but the improvement is not fast enough to meet the company's target of breaking even by the year end. VW has now admitted as much, though given that the aim always looked optimistic, that is scarcely a surprise. More worrying is the likely weakness of any rebound in the market next year, reinforcing the need for the long-term cost reduction programme started by Mr Piëch and Mr López.

Their troubles with GM are doubtless absorbing a great deal of management time and may yet cost one, or even both, their jobs. Shareholders can hardly be amused by full-scale police raids on the company. Senior departures – particularly of Mr Piëch – would badly hinder the reform effort. Restructuring the high-cost Wolfsburg plant is a complex and difficult task, which will take time and a clear sense of purpose. Yet once the strategy has been laid out the task can be completed by others. Besides, around two-thirds of costs are attributable to suppliers: it is there that the greatest savings can be made easily. Yet VW will still have to turn its traditional trick of producing cars which can command a premium in the market if manufacturing at Wolfsburg is to have a long-term future.

Reuters

Reuters' successful share buy-back is less astonishing when one considers the tax advantage to UK pension funds whose receipts are gross of income tax. Since the accompanying tax credit effectively gives them £17.20 a share, it was worth selling to the company at £14 even though the market price was around £15. The question is whether the lucky winners will use the proceeds to replenish their holdings of Reuters or spread them liberally round the rest of the market.

Improved orders lift hopes of sustained UK recovery

By Peter Norman, Economics Editor

HOPES that Britain's economic recovery may prove to be sustained were boosted last night by news that UK manufacturers' order books are at their best levels for 3¼ years.

The Confederation of British Industry reported that overall demand improved, and the number of companies expecting output to increase over the next four months rose in August compared with June and July.

Although the employers' body expressed some concern about sluggish investment growth, it raised its forecast for growth of UK gross domestic product next year to 3 per cent from 2.6 per cent previously. The CBI said it expected economic growth this year would be 1.7 per cent compared with 1.6 per cent predicted in May.

Mr Andrew Sentance, the CBI's director of economic affairs, said "the outlook for the economy over the remainder of this year and next is for steady growth accompanied by low inflation".

The Treasury said that the latest economic indicators provided "clear evidence" that recovery "is well under way".

It said growth in 1992 is likely to be "a little stronger" than the 1.25 per cent forecast in the March Budget.

CBI revises forecast ....Page 8

Meanwhile revised official figures from the Central Statistical Office indicated that the recession of 1991 and 1992 had been slightly less deep than previously thought.

The CBI survey of 1,520 manufacturers employing nearly 2m people found a majority of industrialists were still complaining that orders were below normal. But order books were at their best level since February 1990, before the recession.

The survey, carried out between July 27 and August 18, found that 35 per cent of companies said their order books were below normal compared with 17 per cent reporting above normal orders. The difference between the two figures, which indicates the trend, was a negative balance of 18 per cent compared with minus 28 in July and minus 52 in August last year.

Export order books this month were little changed from July and weaker than in May and June, reflecting the weakness of continental European markets. Big companies were especially gloomy.

However, the poll disclosed a positive balance of companies expecting to increase output in the months ahead for the eighth consecutive month and a slight decline in the percentage of companies complaining about excess stocks.

Carmakers' finances deteriorate sharply

Continued from Page 1

had lost DM1.6bn ($940m) in the first six months of 1993, a DM2bn reversal from the profit of DM445m in the first half of last year.

The scale of VW's losses was reduced considerably in the second quarter, however, and the company, which is undergoing drastic restructuring, said it was working hard to achieve the "turning point" in profitability in the second half.

Renault declined to comment on the state of negotiations to extend its alliance with Volvo into a full merger.

Sources in the French government, which is keen for the merger to be completed to clear the way for Renault's privatisation, believe that a final agreement could be completed within weeks, however.

France holds an 80 per cent stake in Renault, while Volvo holds a 20 per cent stake in the Renault parent company, which includes the car operations, and a 45 per cent stake in Renault Véhicules Industriels, the truck and bus subsidiary.

Renault holds stakes of close to 10 per cent in the Volvo parent company, 25 per cent in Volvo Car and 45 per cent in Volvo Truck.

Swedish financial analysts, who had predicted losses of up to SKr550m ($68m) at Volvo for the first half of the year, said that the group's better than expected result could strengthen its hand in the merger negotiations with Renault, which are expected to be concluded next month.

Kohl talks

Continued from Page 1

is likely to cause consternation in Brussels and Washington, as well as in the German foreign and economics ministries.

Mr Balladur said he would submit two papers to Mr Kohl next week: the first on proposals for reform of the Blair House agreement, and the second on a new EC trade instrument to give greater protection to EC manufacturers. Germany and France would seek to agree a common position on both issues, he said.

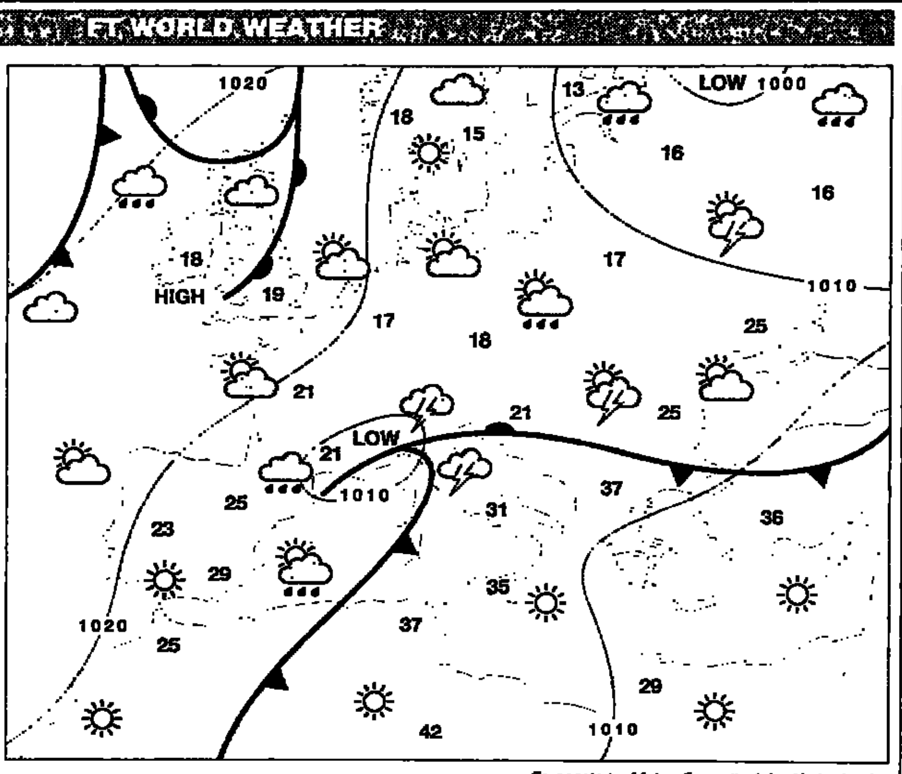
FT WORLD WEATHER

Europe today

Southern Scandinavia will have sunny intervals, but it will be cloudy in the north with outbreaks of rain over Finland. High pressure will dominate north-western Europe. As a result, the Low Countries, Germany and northern France will be dry with a mixture of cloud and sunshine. A frontal zone over central Europe separating warm tropical air in the south from cooler air in the north will cause thunder showers in southern France and the Alps. Northern and central Italy may also have showers. The southern Balkan states will be sunny and warm. Greece will have plenty of sunshine and temperatures will be above 35C in most places.

Five-day forecast

Heavy thunderstorms will develop over the Balkans this weekend. A series of low pressure areas from the Atlantic will affect north-western Europe with outbreaks of rain which will be particularly heavy on Sunday. Behind the low pressure areas, cooler air will move into central Europe bringing showers and falling temperatures next week. Spain and Portugal will be mainly sunny with temperatures over 30C in south-western areas. Greece will be slightly cooler.



Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	fair	43
Accra	shower	31
Algiers	sun	30
Amsterdam	fair	17
Athens	sun	37
B. Aires	fair	21
B.ham	fair	19
Bangkok	shower	33
Barcelona	shower	26
Beijing	fair	29
Belfast	cloudy	18
Belgrade	fair	26
Berlin	cloudy	18
Bermuda	fair	31
Bogota	cloudy	18
Bombay	shower	30
Brussels	cloudy	17
Budapest	shower	21
C.hagen	fair	17
Cairo	sun	40
Cape Town	fair	14
Caracas	cloudy	27
Cardiff	cloudy	18
Chicago	thund	33
Cologne	cloudy	18
D' Salaam	shower	26
Dakar	fair	31
Dallas	fair	36
Delhi	fair	38
Dubai	sun	43
Dublin	fair	18
Dubrovnik	sun	31
Edinburgh	cloudy	17
Faro	sun	25
Frankfurt	cloudy	21
Geneva	thund	22
Gibraltar	sun	28
Glasgow	cloudy	17
Hamburg	fair	17
Helsinki	rain	13
Hong Kong	fair	31
Honolulu	fair	31
Istanbul	fair	29
Jersey	cloudy	17
Karachi	cloudy	33
Kuwait	sun	46
L. Angeles	sun	29
Las Palmas	sun	25
Lima	cloudy	19
Lisbon	sun	23
London	cloudy	19
Lux.bourg	fair	20
Lyon	shower	21
Madeira	fair	24
Madrid	fair	25
Majorca	fair	28
Malta	sun	37
Manchester	fair	19
Manila	cloudy	32
Melbourne	fair	21
Mexico City	cloudy	21
Miami	sun	33
Milan	thund	25
Montreal	fair	29
Moscow	rain	14
Munich	fair	21
Nairobi	fair	23
Naples	sun	32
Nassau	shower	30
New York	fair	34
Nice	shower	27
Nicosia	sun	37
Oslo	fair	19
Paris	fair	22
Perth	fair	18
Prague	cloudy	19
Rangoon	cloudy	27
Reykjavik	rain	12
Rio	fair	25
Riyadh	sun	42
Rome	shower	29
S. Frsco	sun	24
Seoul	shower	27
Singapore	thund	28
Stockholm	shower	15
Strasbourg	fair	23
Sydney	fair	20
Tangier	sun	24
Tel Aviv	sun	35
Tokyo	rain	27
Toronto	shower	31
Tunis	fair	37
Vancouver	cloudy	19
Venice	shower	26
Vienna	shower	22
Warsaw	fair	18
Washington	sun	34
Wellington	fair	8
Winnipeg	fair	21
Zurich	fair	20

FINANCIAL TIMES
COMPANIES & MARKETS
Friday August 27 1993

INSIDE

Gloom reigns at Renault

Renault, the state-controlled French car group, announced a fall of almost 90 per cent in first-half pre-tax profits and saw no sign of improvement in the depressed European vehicles market. However, Volvo, the Swedish vehicle manufacturer, confounded market expectations by announcing a return to profit in the first half. Operating profit was SKr166m ($20.5m) Page 16

VW suffers DM2bn reverse

Volkswagen lost DM1.6bn ($940m) in the first six months of 1993, a DM2bn reversal from the profit of DM445m in the first half last year. Page 16

GRE profit points to upturn

Rises in premium rates and a fall in UK motor insurance and other claims helped Guardian Royal Exchange post pre-tax profits of £65m ($96m) in the first six months of 1993, providing further evidence of recovery in the UK general insurance sector. Page 16

NEC downgrades profit forecast

The electronics group, NEC, downgraded forecasts for pre-tax profits for the year ending next March to Y30bn ($283m) from Y50bn. Page 17

India returns to capital markets

Indian companies are returning to international capital markets following an easing of investors' concerns about last year's financial scandal in Bombay and this year's sectarian disturbances. Page 18

Rentokil up 30%

The UK environmental and property services company Rentokil reported interim pre-tax profits up 30 per cent at £67.1m ($99m). Page 19

Optimism at Slough Estates

Slough Estates, the UK's largest industrial property company, announced a 14.5 per cent fall in pre-tax profits to £28.8m ($42.6m) for the six months ended June 30 but was cautiously optimistic. Page 19

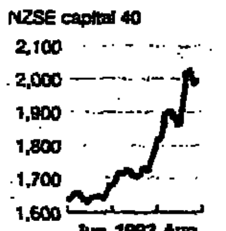
US costs knock Pentland

Losses and closure costs at its US trade finance business and lower interest receipts hit Pentland Group in the six months to June 30 but the underlying improvement in operating profits was 14 per cent. Page 20

Price is almost right

As the gold price went below $370 a troy ounce, a report published by the Gold Fields Mineral Services consultancy group suggested a range of between $370 and $400 "is probably not far out of line with the prevailing equilibrium price". Page 24

New Zealand bulls



Source: FT Graphite

Soaring confidence in the economic outlook and unexpectedly strong corporate profits have led to a recovery in New Zealand equities. The NZSE-40 capital index is bubbling around the 2,000 to 2,030 level that it last achieved in January 1990. However, it is still well below the 3,800 mark set in 1987. Back Page

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
GEHE	435.5	+	19.5
Falls			
Colonia Konz Pf	960	−	15
Mannesmann	319.7	−	6.3
Metallgesellschaft	362	−	7
Viag	450	−	8.5
Zanders Feinpap	190	−	7

NEW YORK ($)

Rises			
Bristol Myers	[illegible]	+	1
Pfizer	[illegible]	+	[illegible]
Texaco	[illegible]	+	[illegible]
Falls			
Apple	[illegible]	−	[illegible]
Compaq	[illegible]	−	[illegible]
Novell	19	−	[illegible]

New York prices at 12:30.

PARIS (FFr)

Rises			
Cr Fonc France	1181	+	41
Carrefour	4650	+	200
GTM-Entrepose	521	+	29
Intertechnique	544	+	27
Unibail	542	+	26
Falls			
Club Med	435.1	−	14.9

TOKYO (Yen)

Rises			
[illegible]	940	+	41
[illegible]	448	+	41
Tanabe Seiyaku	1130	+	70
Tokyo Sangyo	1740	+	110
Falls			
Kyocera	958	−	22
Nikkatsu	21	−	3

LONDON (Pence)

Rises			
Arlen	46	+	4
Dawson (H.)	133	+	[illegible]
Dencora	145	+	8
Greyfriars Inv	29	+	3
HSBC (75p shs)	730	+	[illegible]
Hammerson	135	+	12
Hambro C'wide	76	+	[illegible]
Hardy Oil	175	+	7
Hickson Intl	150	+	3
Hornby	156	+	[illegible]
Life Sciences	[illegible]	+	[illegible]
MR Data Mgmt	209	+	[illegible]
Owners Abroad	24	+	4
Pegasus	201	+	14
RTZ	724	+	12
Rentokil	[illegible]	+	[illegible]
Sceptre	188	+	13
Telemetrix	160	+	18
Transfer Tech	489	+	19
Falls			
[illegible]	133	−	5
[illegible]	511	−	11
First Leisure	294	−	11
[illegible]	106	−	7
[illegible]	315	−	30

Chemical groups gloomy on upturn

By Tony Jackson in London

TWO of Europe's biggest chemical companies warned yesterday that there is no prospect of economic recovery in Europe this year.

BASF of Germany, reporting a halving of profits for the first half of the year, said "we do not expect any cyclical recovery of business in the second half of 1993".

Bayer of Germany, reporting a 25 per cent profits fall for the same period, said "there is no prospect of an economic recovery in Europe".

BASF said that in Germany, it was unlikely the recession would bottom out before the middle of next year. Worldwide, said Dr Jürgen Strube, BASF chairman, "we do not expect any cyclical recovery of business in the second half of 1993". However, he said, there should be a slow upturn in the US.

"Following the United Kingdom, the economy in other western countries will also improve gradually in 1994," he said. "From 1994 onwards, slowly at first, we expect business to revive."

He warned of continuing job losses. "We will continue to reduce employment by around 4 or 5 per cent a year in the group, and by more in Germany."

Productivity at the group's main German complex at Ludwigshafen had risen 13 per cent in the past three years. However, this had been largely eroded by the rise in the D-Mark. "Increases in wage costs in Germany cannot be accepted," said Dr Strube.

On a day when the Bundesbank defied expectations by refusing to relax interest rates, Dr Strube defended German monetary policy.

"There is a need for additional financial discipline in Germany," he said.

"Germany requires capital to invest in eastern Germany, and has to finance a growing burden of public debt. The Bundesbank has little room for manoeuvre."

Referring to the overcapacity of Europe's petrochemicals industry, Dr Strube said BASF had less need to reduce capacity than others.

He defended the group's decision to build a large new ethylene cracker at Antwerp, saying its output would be largely used within BASF itself.

He expected ethylene plants to be shut in Italy and the UK early next year.

Details, Page 17

Conti falls lower than expected to DM31m

By David Waller in Frankfurt

CONTINENTAL, the German tyremaker, saw net profits slide for the first six months of the year to DM31.3m ($18.5m) compared with DM118.7m in the first half of last year, on turnover down nearly 8 per cent to DM4.52bn.

The Hanover-based group said the profits outcome was worse than anticipated.

It attributed the result to strong pressure on prices in the "heavily declining" European vehicle industry as well as problems in other recession-struck sectors such as machine construction, mining and military engineering.

The crisis in the German vehicle market – down 25 per cent in production terms from its 1992 peak – has led to overcapacity in the tyre market, unleashing what Conti called "fierce price wars".

Conti said it had also lost sales volumes to manufacturers in the UK, Spain and Italy, countries whose currencies have depreciated against the D-Mark over the past year.

Conti was not expecting business conditions to be any worse in the second half although a revival in the German economy was not to be expected before next year.

It saw no reason to change the forecast of being in the black for the year as a whole. Last year, the group made profits of DM133m after a loss of DM128.2m in 1991.

Conti said that it would step up the cost-cutting measures to combat a "far-reaching crisis" in its core markets.

The number of employees in the group has been cut by 5,000 over the past three years, a process which is set to continue in the second half.

It has also taken further rationalisation measures, for example reducing the complexity of production plants, improving the efficiency of logistics and distribution systems and relocating manufacturing facilities to less expensive production sites.

Conti predicted that sales for the full year would be slightly less than the DM9.6bn achieved in 1992.

It said that the number of employees at the end of June was 51,448, about 1 per cent higher than a year before. But for the effect of acquisitions, employee numbers would however have been down by 3,500, or 7 per cent.

Alice Rawsthorn reports on the entertainment value of Euro Disney's French park

Drama follows the figures from fantasyland

WHEN Mr Michael Eisner, chairman of the Walt Disney entertainment group, this week told the Los Angeles Times about his company's latest "creative smash" he was not talking about a new movie or cartoon, but about EuroDisneyland, its theme park in northern France.

"It's as good a piece of entertainment as we've ever delivered anywhere in the world," said Mr Eisner. The children whizzing around the park's attractions may well agree.

But unfortunately for the Disney chairman, EuroDisneyland is also providing another form of entertainment: the spectacle of its trials and tribulations in the financial world.

Euro Disney has for the past fortnight been beset by speculation about everything from the departure of its vice-chairman (which it confirmed) to a secret plan to close the park for the winter (which it denied). Its shares have fluctuated daily as investors have digested each new twist in the plot.

Yet the real drama is being enacted behind the scenes as Euro Disney's executives struggle to find a way of defusing the group's financial problems by securing a fresh influx of capital.

Euro Disney is in deep trouble. It lost FFr1bn ($170m) in its last financial year to September 30 and is on course for another loss of FFr1.8bn this year. Its net debt has already risen from FFr18.5bn to FFr21bn since the year began and is set to rise further in the slack winter months. Unless it secures new capital, Euro Disney will stay trapped in a vicious cycle of rising debt, spiralling financial costs and mounting losses.

It will also run out of money. Euro Disney announced last month that Walt Disney, which owns 49 per cent of its shares, had promised to meet its working capital and short-term investment requirements until March, when it hopes to have completed its restructuring.

Euro Disney says that, so far, it has not had to ask Walt Disney for support. Analysts suspect the crunch will come in late November, when attendance is expected to fall sharply and Euro Disney could run out of cash. Euro Disney would then be technically bankrupt and its US parent would have to help.

The critical question is whether Euro Disney will be able

> **In the long term Euro Disney needs a second site**

to complete its restructuring by the March deadline. One option is to renegotiate the terms of its existing loans to try to benefit from recent reductions in French interest rates. At present it pays half its debt at fixed interest rates.

However Euro Disney failed earlier this year to persuade its banks to revise the loans. Even if it succeeds this time, a new agreement would only provide a partial solution. What the company really needs is an influx of cash to reduce its existing debt and to trim its interest bill.

If Euro Disney was an ordinary company it would stand little chance of raising cash in the traditional way: by attracting an external investor, securing a loan extension from its banks, or persuading them to underwrite a right issue. But the protective presence of Walt Disney, one of the largest and most profitable entertainment groups in the US, should ensure its survival.

"There's no way that Walt Disney is going to allow any business bearing the Disney name to go under," said one analyst. "It's got enough cash and enough clout with the banks to help Euro Disney if it wants to."

Even Walt Disney's influence is unlikely to enable Euro Disney to attract external investment. Walt Disney this week played down US press reports that it was considering this option. It could afford to raise its own 49 per cent holding in Euro Disney. However the medium-term losses would be so high that this would scarcely be an appealing prospect for Mr Eisner and his shareholders.

Loan extensions also seem unlikely. Walt Disney would be expected to resist demands from the banks that it guaranteed the loans as a quid pro quo for extending them. Higher debt could also imperil Euro Disney's attempts to crawl out of the red by burdening it with an even higher interest bill.

The consensus among analysts is that a rights issue is the likely solution. Walt Disney would doubtless take up its full rights of 49 per cent, which might make Euro Disney's banks feel more comfortable about underwriting the rest. The hitch is that the size of the issue would be restricted by the recent fall in Euro Disney's shares which closed at FFr58.35, up FFr0.85 yesterday against FFr164 at their peak before the park's opening.

Ms Rebecca Winnington-Ingram, leisure analyst at Morgan Stanley in London, suspects the Euro Disney could stage a one-for-two issue at FFr50 a share, compared with the original offer price of FFr72 in 1989, to raise FFr4.25bn. If the proceeds were used partly to reduce long-term debt and partly to help finance the construction of a second park on the Euro Disney site, she calculated that Euro Disney would finally come out of the red in the 1999 financial year with a net profit of FFr88m.

However Euro Disney might decide to plough all its extra capital into debt reduction and leave the plans for the second park on ice. This might make sense in the short term, but in the long term Euro Disney needs a second site to attract more visitors and encourage them to stay longer, thereby boosting park revenues and hotel occupancy levels.

Mr Eisner said this week that Euro Disney was "like a movie that starts off slow". The problem is that it may take a very long time for the action to begin and until then, the production budget will get higher and higher.

Walt Disney's Michael Eisner shoulders the burden of Euro Disney

LWT share deal produces 16 overnight media millionaires

By Gary Mead in London

THE ranks of Britain's media magnates will from next Tuesday be swollen by 54 newcomers – including 16 overnight millionaires – from London Weekend Television.

They will benefit from a share scheme which, on paper, gives them a collective wealth of some £70m ($104m), the fruit of their raising £3m in 1989 to back LWT's successful £7.58m 1991 broadcasting franchise bid.

The biggest beneficiary will be Sir Christopher Bland, LWT's chairman. Another winner is Mr Melvyn Bragg, LWT's arts controller, and novelist. His shareholding is likely to be worth £2.9m.

Mr Greg Dyke, LWT's chief executive, whose achievements include rescuing breakfast television station TV-AM's collapsing ratings by introducing a puppet called Roland Rat, stands to gain some £6.9m.

Besides the 16 whose shareholding will make them into paper millionaires, a further nine have shares which are likely to be worth more than £915,000 apiece.

LWT's institutional shareholders backed the scheme in 1989 as a way of giving the company's top management an incentive to win LWT's franchise bid.

The scheme's payout has been triggered by LWT's share price staying above 278p for the 20 days since the company reported its half-year financial results, on July 29. Today is the last day; the average share price in the past 19 days has been 470.4p.

According to Mr Peter Coppock, LWT's head of press relations, the 54 managers have signed confidential agreements stating how many shares they will sell next Tuesday. The same agreement commits them to make no further sales before August 1994.

Sir Christopher yesterday anticipated that selling by the 54 will be minimal, reducing management share ownership from 15 per cent to about 10 per cent, making it the third largest group of shareholders. Granada TV is the biggest shareholder with 20 per cent, followed by Mercury with 15 per cent.

Mr Guy Lamming, media analyst with the brokers James Capel, said the scheme "has been good all round – for the company, its management and its institutional investors. These people took the risk and it paid off."

Investors flock to Reuters buy-back

By Philip Coggan, Personal Finance Editor

SHAREHOLDERS in Reuters, the international news and information group, have flocked to take advantage of the company's special £350m ($518m) share buy-back offer.

Around 38.65 per cent of the company's shares were tendered under the offer, although Reuters plans to buy back only 5.84 per cent of its capital.

The deal proved so attractive because a large proportion of the payout is being treated as a distribution by the Inland Revenue.

Gross funds such as UK pension funds will accordingly be entitled to a tax credit on top of the purchase price of £14 per share, pushing their total receipts up to £17.21.

Reuters shares closed at £15.24 per share. The deal was less attractive for US shareholders, who own around 35 per cent of Reuters' equity. Their tax credit is limited to around 80p so the buy-back was unprofitable once the Reuters price passed £15.

Sir Christopher Hogg: 'all shareholders will benefit'

The number of shares tendered in the form of ADSs (American Depositary Shares) was accordingly just 1.92m, out of a total tender of 164.3m shares; the company is offering to buy back 25m shares.

Reuters proposed the buy-back as a means of returning its cash pile, £710m at the end of 1992, to shareholders. Sir Christopher Hogg, Reuters' chairman, said: "The board believes that all shareholders will benefit from the repurchase since it should lead to an increase in Reuters' earnings per share."

Shareholders who have submitted valid tenders will have their shares purchased in full, up to a maximum of 5.84 per cent of their holdings as of August 25. Additional shares will be purchased *pro rata*.

Dutch paper group swings to Fl 16m loss in first half

By Ronald van de Krol in Amsterdam

KNP BT, the Dutch paper and packaging group created out of a big domestic merger earlier this year, swung into a net loss of Fl 16m ($8.2m) in the first half of 1993 from a pro forma net profit of Fl 161m a year earlier.

The company said it would be taking an extraordinary charge of Fl300m to pay for projects aimed at boosting profits and integrating businesses previously owned by the three merger partners KNP, Buhrmann-Tetterode and VRG.

It blamed the downturn on a decline in sales and on lower selling prices. Turmoil in European exchange rates was a contributing factor.

KNP BT warned in May that it had fallen into losses and that it would be making reorganisation provisions. Yesterday, the company – which is 17 per cent owned by the Canadian forestry group MacMillan Bloedel – repeated its forecast that it would be difficult to post a net profit before extraordinary items for the full year.

All four of the group's business sectors – paper merchanting, graphic systems, packaging and paper production – posted lower operating results in the first half, with graphic systems and paper production showing small operating losses. Group sales were down nearly 10 per cent to Fl5.9bn.

The graphic systems sector was hit by a decline in sales in Europe as well as by the devaluations of the Spanish peseta and the Italian lira.

In paper production, industry-wide overcapacity put KNP BT's margins under pressure, in spite of a decline in raw material prices.

Part of the Fl 300m charge will be used towards the divestment of four graphic distribution companies in Europe and Asia, in line with an agreement made with the EC's merger authorities.

Dutch insurer ahead at halfway

By Ronald van de Krol

STRONG results in the US and the Netherlands helped lift net profit at Aegon, the second-largest Dutch insurance company, to Fl 497m ($255m) in the first half of 1993, a 7.3 per cent rise on the same period of 1992.

Aegon did not give a geographic breakdown, but results in Europe outside the Netherlands did not meet expectations, largely due to setbacks on the British non-life market. However, turnover in Europe showed a small rise in spite of the negative effect of recent currency movements and the disposal of shares in a joint venture in Greece.

Group turnover rose by 10.6 per cent to Fl 8.88bn. In the US, sales and operating profit showed a strong rise. Dutch results were also good, despite heightened competition.

Aegon said it planned to raise its 1993 interim dividend to Fl 1.15 in cash from Fl 1.10 last year. For the first time, shareholders will have the option of receiving an interim payment in shares. The dividend payments will be worth 2 to 5 per cent less than the cash dividend but are generally more attractive for tax reasons.

Premium rise and lower claims boost GRE

By Richard Lapper in London

RISES IN premium rates and a fall in claims on UK motor insurance and other policies helped Guardian Royal Exchange, the composite insurer, post pre-tax profits of £65m ($96.2m) in the first half of 1993, providing further evidence of the recovery in the general insurance sector.

The figures compared with a loss of £39m at the same stage last year. After investment gains, which GRE included for the first time, in line with prospective European reporting requirements, pre-tax profits were £307m, an improvement of £299m.

The interim dividend was increased to 2.65p (2.5p).

Lex, Page 14

Schindler lifted by Also's first-time contribution

By Ian Rodger in Zurich

SCHINDLER Holding, the world's second largest elevator manufacturer, said its operating revenues in the first half were up 4.3 per cent to SFr2.2bn ($1.48bn) due mainly to the inclusion for the first time of its Also computing trading subsidiary.

The group said operating *profit in the full year* was likely to be similar to last year's SFr154.9m, in spite of continuing unfavourable market conditions.

Net income would be significantly higher because of financial earnings.

Revenues from elevators and escalators were down 1.1 per cent to SFr1.9bn, while rolling stock sales were flat at SFr137m. Also contributed SFr114m to revenues.

● Leu Holding, a private banking unit of the CS Holding financial services group built around Credit Suisse, has reported more than doubled consolidated net income of SFr92m in the first half.

Leu said all divisions contributed to the jump, with profits from trading soaring 89 per cent to SFr89m. *Commission income advanced* 26 per cent to SFr123m and net interest income rose 17 per cent to SFr134m.

Expenses were up 7 per cent to SFr182m, with the result that pre-tax profits advanced 60 per cent to SFr170m. Leu said the number of borrowers in difficulty was still rising, so it raised its bad loan provisions by 20 per cent to SFr36m.

Swedish construction groups rise sharply

By Christopher Brown-Humes in Stockholm

SKANSKA and NCC, the two *leading Swedish construction* and real estate groups, yesterday reported sharply improved first-half figures. However, they relied on gains from divestments and the absence of write-downs to compensate for the continued deterioration in market conditions.

The companies predicted they would make a profit before property write-downs for the full year, although Skanska took the gloss off its forecast of a SKr2.2bn ($272m) profit by saying it was set to make further "substantial" write-downs again this year. Both groups made big losses in 1992 because of huge property write-downs.

Skanska saw first-half pre-tax profits rise to SKr1.38bn from SKr813m, while NCC returned a SKr304m profit, against a SKr7m loss for the same 1992 period. Skanska recorded capital gains from divestments of SKr366m and NCC gains of SKr476m.

The continuing downturn in the Swedish construction market was largely responsible for cutting Skanska's first-half revenues to SKr14.0bn from *SKr15.2bn and for its prediction* of a 12 per cent fall in full-year revenues to SKr28.2bn.

However, the group's operating profit before financial items rose to SK1.50bn from SKr1.30bn, and its performance benefited further from a reduction in financial costs to SKr128m from SKr488m. Full-year financial expenses should be SKr1bn less than last year at around SKr700m.

The group said real estate markets in Sweden, Europe and the US remained weak.

Reduced Swedish *building* activity also explained the drop in NCC's revenues to SKr8.6bn from SKr10.4bn. Profits in the group's main unit, NCC Bygg, fell to SKr288m from SKr378m. Excluding capital gains and losses from associated companies, the group made a SKr108m first-half loss, compared with a SKr218m profit.

RESULTS FROM EUROPEAN CARMAKERS REFLECT THE TURMOIL IN THE INDUSTRY

VW unlikely to break even this year

By David Waller in Frankfurt

VOLKSWAGEN is unlikely to meet its goal of break-even in the current year without the help of extraordinary income, Mr Ferdinand Piëch, the chairman of the group's managing board, has told a German *newspaper*.

In the interview in today's edition of the Frankfurter Allgemeine Zeitung, Mr Ferdinand Piëch added that there is a possibility that the group will omit a dividend on its ordinary shares in 1993. Last year's dividend was DM2 per share, cut from *DM11 in 1991*.

The Volkswagen senior management has for several months *confidently forecast* the group would be back in the black by the year end.

The group lost DM1.6bn ($940m) in the first six months of 1993, a DM2bn reversal from the profit of DM445m made in the first half of last year. Turnover for the half-year was *DM38.4bn against DM43.75bn* in the comparable period.

Volkswagen said the result represented a considerable reduction in losses in the second quarter. In the first quarter of the year the group lost DM1.25bn: losses for April to June were by comparison a modest *DM350m*.

The board said it was working hard to achieve the "turning point" in *profitability* in the second half.

The group made a small profit in July and Volkswagen said it would strive to achieve further monthly profits, but it stopped short of saying that the group would break even for the the year as a whole.

A letter to shareholders praised Mr José Ignacio Lopez de Arriortuá, VW's purchasing chief who joined the German group from arch rival General Motors earlier this year, for his role in helping to reduce losses despite the disastrous economic environment.

Volkswagen said that world-wide production dropped 19 per cent to 1.5m vehicles in the six *month* period, whilst deliveries to customers dropped 13 per cent to 1.61m units.

For the Volkswagen marque, deliveries to customers fell 11.1 per cent; deliveries of the luxury Audi marque dropped 27.3 per cent and SEAT by 22.7 per cent. The only marque to increase sales was the Czech-based Skoda division where unit sales rose by 23.1 per cent.

VW predicted that it would sell 3.2m vehicles for the year as a whole. Capital investments in the group for the six months fell by 38 per cent to *DM2.68bn*. The loss for the Volkswagen parent company in the first half was DM946m.

Renault issues warning after profits plunge

By John Ridding in Paris

RENAULT, the state-controlled French car group, yesterday announced a fall of almost 90 per cent in first-half pre-tax profits and said that it saw no sign of an improvement in the depressed European vehicles industry.

The company said that pre-tax profits for the first six months of 1993 were FFr730m ($123.93m) compared with FFr5.44bn in the same period last year. Sales fell by *about* 8.4 per cent to FFr87.11bn.

Car analysts said that Renault's results were slightly better than expected. "They represent a good performance in the context of the European market," said Mr Christopher Moore, car industry analyst at Morgan Stanley.

Renault said that its shareholdings in the Swedish car group Volvo had reduced its profits by about FFr277m in the first half. But only FFr39m of this negative contribution came in the second quarter and the first half figure as a whole was an improvement over the same period in 1992.

In the cars division, which represented about 83 per cent of the group's commercial and industrial turnover, sales fell from FFr79.7bn to FFr72.1bn in the first half.

The figures were buoyed by the successful introduction of the Twingo small car, but the particularly steep decline in car sales in southern Europe, where Renault has a large presence, meant that the company's overall share of the European car market slipped from 10.4 per cent to 10.3 per cent.

In the industrial vehicles division, including buses and trucks, Renault increased its share of the European market from 9.2 per cent in the first *half of last year to 9.5 per cent* this year. Sales in the division were fairly stable at FFr12.63bn.

Renault said that the company planned to reduce production to respond to the continued weakness of demand in the car and industrial vehicles market.

The company added that it would also intensify its efforts to reduce costs and financial charges and increase productivity.

But it added that sales and profits "would suffer, despite these efforts, from the strongly negative impact of the economic environment".

Volvo back in the black despite fall in sales

By Hugh Carnegy in Stockholm

VOLVO, the Swedish vehicle manufacturer, yesterday confounded market expectations by announcing a return to profit in the first half despite a further fall in its sales of cars *and trucks*.

A rebound to an operating profit of SKr166m ($20.5m) from a loss of SKr835m last year pushed Volvo to a profit after financial items of SKr380m, compared to a deficit in the first half of 1992 of SKr103m.

The surprise result, which contrasted with expectations of losses up to SKr550m, sparked a sharp rise in its shares on an otherwise weak Stockholm stock market. The most-traded A shares closed up SKr11 at SKr454.

Volvo said a change in the accounting of some tool costs had bolstered operating income by about SKr400m. The dramatic fall in the value of the Swedish krona compared to the first half of 1992 had also increased operating profits by about SKr200m. But it said that the turnaround was mainly driven by rationalisation measures, cost-cutting and lower research and development costs.

Two out of three Swedish car assembly plants are being shut and the number of employees in the group has fallen to 56,400 – a drop of 13,000 since 1990.

Sales rose to SKr48.8bn from SKr41.4bn, but Volvo said there was a decline of 2 per cent when exchange rate changes were excluded.

The number of cars sold fell to 156,400 in the first half from 160,100 a year earlier, including a tumble of more than 20 per cent in Europe. Sales of medium-heavy and heavy trucks were bolstered by sharply higher demand in North America, but still fell by 3 per cent to 23,600.

However, although details were not given, Volvo said both the truck and car groups reported operating profits, as did the Volvo Penta marine engine group and the aero engine group.

Volvo's share of Renault's income stemming from its cross-shareholdings in the French group fell sharply to SKr220m from SKr852m. But income from Procordia, the pharmaceuticals and food group, more than doubled to SKr1.04bn.

Net interest expenses rose to SKr565m from SKr315m, but net debt was down slightly from the end of 1992 at SKr12.9bn and interest charges fell off in the second quarter.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on 27.08.93: Pool purchase price £/MWh	Final Prices for trading on 30.07.93: Pool purchase price £/MWh	Pool selling price £/MWh
0030	22.15	18.04	18.04
0100	18.24	18.03	18.03
0130	18.24	18.03	18.03
0200	18.24	18.03	18.03
0230	18.24	18.03	18.03
0300	18.24	18.03	18.03
0330	18.24	18.03	18.03
0400	18.24	18.03	18.03
0430	18.24	18.03	18.03
0500	18.24	18.03	18.03
0530	20.12	34.00	38.49
0600	20.12	33.00	37.93
0630	20.02	33.00	38.02
0700	23.60	33.00	37.87
0730	23.52	24.44	28.64
0800	24.99	24.44	28.43
0830	29.76	25.21	29.08
0900	28.46	25.82	29.64
0930	35.59	27.22	31.04
1000	35.64	27.22	31.03
1030	35.59	27.22	31.05
1100	31.73	27.28	31.03
1130	31.73	33.00	37.05
1200	29.98	33.00	37.08
1230	28.46	33.00	37.06
1300	28.38	33.00	37.02
1330	27.53	27.15	30.91
1400	27.30	25.82	29.54
1430	26.67	25.82	29.54
1500	26.67	25.82	29.54
1530	26.67	25.03	28.72
1600	26.67	25.03	28.73
1630	34.17	25.03	28.73
1700	34.17	33.00	37.00
1730	34.17	33.00	37.00
1800	34.17	33.00	37.01
1830	26.14	24.44	28.13
1900	24.98	24.24	27.84
1930	24.84	24.03	27.60
2000	24.84	22.35	26.09
2030	28.71	22.36	26.13
2100	38.00	22.36	26.14
2130	38.00	33.00	37.09
2200	34.44	33.00	37.00
2230	32.80	33.00	37.10
2300	23.54	32.80	36.98
2330	23.60	22.50	26.38
2400	22.14	20.83	24.77

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. [illegible] ©Energy Settlements and Information Services Limited

BASF dives 51% in second quarter

By Tony Jackson

PROFITS at BASF, the German chemicals group, fell by 51 per cent in the second quarter of this year to DM245m ($142.4m). This matched the 50 per cent fall in the first quarter.

Mr Jürgen Strübe, chairman, said the third quarter should not show any further fall from the year before. However, he noted that last year's third quarter had been "very unsatisfactory".

The fall in profits came on a 6 per cent drop in sales to DM10.39m. Mr Strübe said business was still characterised by "low demand combined with a surplus of supply, resulting in unrelenting pressure on prices".

In the first half of the year, he said, BASF had been continuously in loss at the operating level in plastics and fibres, and also in magnetic tapes.

Mr Strübe said "the principal cause of the drop in sales was the soft demand in Germany and other European countries". By contrast, some businesses in North and South America had done better than last year.

The magnetic tape business remained difficult, he said. Prices in the first half of the year were 10 per cent lower than last year, and the company had shut down production at sites in the US, France and Germany.

"We expect BASF Magnetics to make a loss again in 1993, but we are aiming to break even in 1994", he said.

In pharmaceuticals and agrochemicals, he said, business has suffered significantly from state intervention. "I need only mention the German Health Care Reform Act and the EC agricultural policy reforms," he said.

The group's drug sales in Germany were down 13 per cent in the half-year, as the result of lower prices in former East Germany and lower volume in West Germany.

Mr Strübe said that by the end of 1993, BASF would have shed nearly 20,000 jobs since 1989, partly through divesting businesses. In 1994, he said, the group planned to shed more than 4,000 jobs, the majority in Germany.

"An increase in personnel costs in Germany is not acceptable in the next few years, as the revaluation of the D-Mark has further accentuated the existing cost disadvantages in international competition," he declared.

In the first half, group sales were down 7 per cent from DM23.6bn to DM22.0bn. Group profit before tax was DM483m, compared with DM972m. Sales of plastics and fibres were down 12 per cent at DM4.83bn, in dyestuffs down 5 per cent at DM3.75bn and in chemicals 5 per cent at DM2.73bn. Sales in agricultural products were down 13 per cent at DM2.47bn, and in oil and gas were up 4 per cent at DM2.31bn.

European sales were down 11 per cent at DM13.35bn. Sales in North America were up 3 per cent at DM4.29bn. Sales in Asia, Australia and Africa were down 6 per cent at DM2.03bn, and in Latin America up 9 per cent at DM1.17bn.

Bayer predicts 20% decline in earnings

By Christopher Parkes in Frankfurt

BAYER, the German-based chemicals group, expects earnings to drop 20 per cent to around DM2bn ($1.1bn) this year, following a similar decline in the first half, and despite expected cost savings of almost DM1bn.

There is no prospect of an economic recovery in Europe, source of 62 per cent of sales, and the favourable effects of current US dollar and yen exchange rates will not compensate for adverse shifts in European currencies, the company said yesterday.

Pre-tax earnings fell DM344m to DM1.4bn on sales down 5 per cent at DM21bn in the first half, according to an interim report. The effects of an 11 per cent drop in European turnover were partly alleviated by a 4 per cent improvement in north America and 10 per cent elsewhere.

Sales in the healthcare divisions, the group's main protection against recession, were stable at DM4.6bn, while all other sectors showed declines. Polymers and industrial products were worst hit, with sales down 10 per cent.

Healthcare performed relatively well, despite prescription limits and other medical service reforms in Germany, and due in part to growth in self-medication products.

Turnover at Bayer AG, the German parent, fell 12 per cent to DM8.6bn, mainly because of lower volumes.

In agrochemicals, where sales were down 2.6 per cent, turnover improved in the second quarter after a 9 per cent drop in the first three months of the year.

The results, towards the top end of analysts' expectations, followed a 16 per cent drop in pre-tax profits from DM3.2bn to DM2.7bn for the whole of 1992, which led to the first cut in the group's dividend in a decade.

Last year's payout was cut DM2 to DM11, although the group made no mention of 1993 prospects in yesterday's interim report.

Workforce reductions and other rationalisation measures appear to have been accelerated. The group said costs were reduced by around DM500m in the first half, and further savings of several hundred million D-Marks were expected in the remainder of the year.

In the period under review the group shed 2,700 employees, out of the 3,000 planned to go in the full year. Personnel expenses excluding pensions fell as a result – by 4 per cent to DM6.5bn in the group and by 8 per cent to DM2.7bn at the parent.

Arnotts lifts payout in spite of second-half loss

By Bruce Jacques in Sydney

ARNOTTS, the Australian biscuit company, has raised its annual dividend despite dipping into the red in the second half following heavy asset write downs.

Reporting yesterday for the first time as part of the of Campbells Soup, the US food company, Arnotts announced an 18 per cent net profit rise to A$47.2m (US$31.8m) for the year ended June on a 4 per cent sales slide to A$662.1m.

The company made a loss of A$6.6m in the second half of the year compared with a profit of A$17.2m last time. However, the annual dividend is going up from 23.5 cents a share to 29 cents.

The year's result included abnormal losses of A$32.9m (A$18.7m loss previously), mainly reflecting a A$47.9m assets write-down.

Mr Paul Bourke, managing director, said the company had now completed most of its programme to divest non-core activities and focus on biscuit making.

"We are now in great shape to concentrate on our three key strategies for the remainder of the 1990s," he said.

Swedbank seeks to avoid calling for state support

By Christopher Brown-Humes in Stockholm

SWEDBANK, the newly-merged Swedish savings bank group, yesterday reported a sharp contraction in first-half losses and said it was working on a plan that would avoid it having to call on government support.

The bank did not disclose details of its proposals, and said further information would not be available until the middle of November at the earliest.

Last week's Skandinaviska Enskilda Banken, Sweden's leading commercial bank, withdrew its request for state aid.

Swedbank said its first-half operating deficit fell to SKr1.59bn ($197m) from SKr5.88bn.

This followed an increase in operating income before loan losses to SKr4.20bn from SKr3.38bn plus reduced credit losses of SKr5.80bn against SKr9.25bn.

The bank said a 15 per cent reduction in costs helped explain its improved result.

The bank's capital adequacy ratio has weakened to 8.8 per cent from 9.3 per cent at the end of last year.

Cathay air returns hurt Swire Pacific

By Simon Davies in Hong Kong

SWIRE PACIFIC, the Hong Kong-based property, aviation and trading group, reports a 17 per cent decline in first-half profit, primarily because of the sharply reduced contribution from 51 per cent-owned airline Cathay Pacific.

The group posted profit attributable to shareholders of HK$1.8bn (US$232.3m) for the six months ended June, down from HK$2.18bn in 1992.

The dividend is being held at 29 cents per A share and 5.8 cents per B share.

Last year's interim profits were boosted by the sale of an office tower to Hong Kong Telecom, which contributed HK630m profit.

However, Swire will book profits from the sale of its stake in the Lee Gardens Hotel and from sales of residential units in Robinson Place during the second half of 1993.

Mr Peter Sutch, chairman, said: "The outlook for the aviation industry continues to be uncertain." But he predicted a stronger performance for the remainder of the group's businesses.

Swire continues to expand its property investment portfolio, following the recent HK$2.85bn site purchase with Citic Pacific. Net rental income from the existing portfolio – primarily Pacific Place and City Plaza – increased by 29 per cent to HK$1.03bn in the half-year.

Property development earnings will be strong up to 1995, due to further contributions from Robinson Place, and from the joint venture redevelopment of the former China Motor Bus depot.

The industrial division reported first-half growth, primarily due to strong performances from soft drinks bottling in the US and Hong Kong, and from Swire Technologies. But the trading division recorded a decline in earnings.

● Hongkong and Shanghai Hotels, the Kadoorie family company which owns the Peninsula hotel group, posted a 12 per cent increase in net profit for the first half of 1993 to HK$178m.

NEC cuts year's pre-tax profits forecast to Y30bn

By Michiyo Nakamoto in Tokyo

NEC, the electronics group, has downgraded forecasts for pre-tax profits this year, cutting its estimate for the year ending next March to Y30bn ($283m) from Y50bn.

NEC said the main cause was the prolonged weakness of the Japanese economy. The expected recovery in demand for personal computers had not materialised, and the slump in business activity had kept demand for communications equipment weak.

Although semiconductors were seeing buoyant demand from the US and Asia, NEC was not experiencing the kind of growth in the Japanese semiconductor market that it had expected.

The high value of the yen was also a factor behind the downward revision. NEC was not, however, as badly affected by the yen as some other exporting companies since it was dependent on only about 18 per cent of total sales on overseas markets.

Sales in the year ending March are forecast at Y2,960bn compared with the previous forecast of Y3,030. Net income is forecast to be Y16bn rather than Y28bn expected earlier.

On a consolidated basis, sales are expected to be Y3,630bn compared with a previous forecast of Y3,700bn, but consolidated pre-tax profits and net income estimates are unchanged at Y40bn and Y10bn respectively, largely as a result of strong demand for semiconductors in overseas markets and cost-cutting measures by the company.

It is of "paramount importance that the company make a profit this year", an NEC spokesman said.

The company is implementing wide-ranging cost-cutting measures in an effort to avoid making a second consecutive loss.

One area where the company is charging ahead, however, is the overseas semiconductor business. NEC has revised its capital spending forecast for the year for semiconductor operations on the strength of buoyant demand for memory chips in the US and Asia. It will increase capital spending by about Y10bn to Y80bn, the company said.

Reynolds Metals expands aluminium can capacity

By Laurie Morse in Chicago

REYNOLDS METALS, the US integrated aluminium manufacturer, is to buy Miller Brewing's aluminium beverage can manufacturing operations.

The deal will make Reynolds the third-largest aluminium can producer in the world.

The transaction will increase Reynold's US aluminium can capacity by nearly 50 per cent, according to Mr Richard Holder, Reynolds' chairman.

The acquisition is part of the company's strategy to expand its value-added aluminium businesses.

Commodity aluminium prices are very weak, and Reynolds recently announced plans to shut significant portions of its US primary aluminium manufacturing.

A spokesman for Miller, which is part of Philip Morris, the US food and tobacco group, said the company was divesting the can properties because it wished to focus on its core business of brewing beer.

Terms of the sale were not disclosed, but Reynolds said the deal would be financed through short-term borrowing against existing lines of credit.

Once the purchase is finalised, the companies will enter a long-term agreement where Reynolds will supply Miller with "substantially all" of its beverage can requirements.

Miller's can plants, located in Milwaukee, Wisconsin, Fulton, New York, Fort Worth, Texas, Reidsville, North Carolina, and Moultrie, Georgia, have a combined capacity of 5bn beverage cans per year, and employ more than 800 people.

Recovery at National Bank of Canada

By Robert Gibbens in Montreal

NATIONAL Bank of Canada reports a strong recovery for the third quarter and nine months following a good performance by its stockbroking offshoot, tight control of costs and lower loan loss provisions.

For the three months ended July, the bank made a net profit of C$47.3m (US$36.90), or 27 cents a share. This compares with a loss of C$117.5m, or C$1 a share, a year earlier. Second-quarter net profit amounted to C$40m, or 23 cents a share.

Third-quarter provisions were much lower at C$75m, down from C$358m a year earlier when the bank wrote off key bad loans.

Its return on average assets was 0.48 per cent, against a negative 1.16 per cent.

Profit for the nine months totalled C$132.4m, or 78 cents a share, against a loss of C$37.9m or 52 cents a year earlier.

Return on average assets was 0.46 per cent against a negative 0.13 per cent.

Total assets at end-July were C$39bn.

Net interest margins widened by 5 per cent because of a reduction in non-performing loans.

A C$14m gain on the sale of Brazil bonds was offset by securities trading losses and provisions.

Most of the 14 per cent gain in other income came from the brokerage unit.

● A poor performance for Canadian newspapers plus negative currency factors pulled first-half profits sharply lower at Hollinger, the Canadian holding company headed by Mr Conrad Black.

Despite continuing strength at the Daily Telegraph newspaper in the UK, the company's net profit was C$24.6m, or 36 cents a share, for the first half of 1993, down from C$54.1m, or 87 cents, a year earlier.

Revenues dipped slightly to C$433.5m.

Mr Black said operating profit was C$45.5m, against C$40.7m.

The steeper decline in after-tax earnings was due to smaller capital gains and the weakness of sterling.

COMPANY NOTICES

Prices ease as Germans stand firm on interest rates

By Peter John in London and Patrick Harverson in New York

EUROPEAN government bond markets eased following Germany's decision to leave its key rates unchanged yesterday. However, the falls reflected token selling rather than investor panic.

The general view among investors was that the German Bundesbank would cut rates:

GOVERNMENT BONDS

whether it does so now or at the next council meeting in two weeks' time is academic.

However, Ms Alison Cottrell of Midland Global Markets, argued that yesterday may have been the last chance before November for a cut in German rates.

The Bundesbank has said it would not ease if money supply was high.

The money supply number for August is likely to be inflated by the heavy foreign exchange intervention seen earlier in the month. Thereafter, there could be delays in policy decisions until Mr Hans Tietmeyer has taken over as the new Bundesbank head.

UK economists had anticipated a quarter-point cut in the discount rate, and on Wednesday there were reports that leading German economists expected a half-point reduction.

However, suspicion developed early yesterday that the Bundesbank might stand firm. Market-makers had taken a more cautious line than before the last council meeting and, as yesterday's meeting dragged on, more and more traders adjusted their books and pushed government bond markets lower.

By the time a decision was announced – just before 1pm London time – the consensus had shifted and positions were fully hedged.

Bund futures for September on Liffe closed only 11 basis points lower, at 97.44, with turnover of only 82,000 contracts, no higher than average.

■ FRENCH debt prices sagged around midday, but recovered later and the yield on 10-year French paper remained some 5 basis points below its German counterpart.

Some economists argued that Germany's decision to leave rates unchanged was a gesture of support for France.

The refusal to shift monetary policy at the end of July intensified the heavy French franc selling and led, a few days later, to the crisis within the ERM. To ease yesterday when the French currency had a margin of more than than 30 centimes over its ERM limits could have been construed as a political snub.

The Bank of France left its 6.75 per cent intervention rate unchanged at yesterday's securities repurchase tender.

Investors, preferring the low inflation prospects signalled by the long end of the yield curve rather than the rate prospects reflected by the short end, bought 10-year maturities. In spite of a slide in the currency, OAT futures traded on the Matif rose 4 basis points to 122.98 by the official close. The contract traded lower after official dealing.

In London, long-dated government bonds slipped slightly before recovering later to close flat on balance. Long gilt futures for September were $\frac{5}{32}$ off at one stage, but closed marginally weaker.

■ US TREASURY prices posted modest gains across the board yesterday morning, supported by swap-related buying and supply considerations.

By midday, the benchmark 30-year government bond was up $\frac{3}{16}$ at $101\frac{11}{32}$, yielding 6.149 per cent. At the short end of the market, the two-year note was slightly firmer, up $\frac{1}{32}$ at $100\frac{1}{16}$, to yield 3.826 per cent.

The morning's economic news – an 8,000 increase in weekly initial jobless claims – had little impact on market sentiment, which remained bullish but wary of pushing already expensive Treasuries to new highs.

In what was described as quiet trading, the only area of activity was from buyers picking up securities as part of interest-rate swap business, and from holders of mortgage-backed securities.

Prices were also supported by the lack of supply.

Apart from the weekly bill auctions, the market does not face Treasury sales of new government debt for another month.

FT FIXED INTEREST INDICES

	Aug 26	Aug 25	Aug 24	Aug 23	Aug 20	Year ago	High *	Low *
Govt Secs (UK)	101.45	101.63	101.51	101.58	101.77	87.29	102.38	93.28
Fixed Interest	123.80	123.98	123.97	123.93	124.37	103.26	124.54	108.67

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 124.54 (18/8/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Aug 25	Aug 24	Aug 23	Aug 20	Aug 19
Gilt Edged Bargains	97.6	93.2	92.5	92.4	101.2
5-Day average	95.4	98.0	100.1	101.6	108.8

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	119.0828	+0.953	6.83	6.83	7.13
BELGIUM		9.000	03/03	112.7500	-0.050	7.11	7.08	7.12
CANADA *		7.500	12/03	105.0350	+0.555	6.81	6.85	7.30
DENMARK		8.000	05/03	109.1500	+0.850	6.68	6.71	7.15
FRANCE	BTAN	8.000	05/98	109.0890	-0.048	5.72	5.78	6.24
	OAT	8.500	04/03	115.8700	+0.070	6.25	6.34	6.79
GERMANY		6.500	07/03	101.5450	-0.100	6.28	6.32	6.53
ITALY		11.500	03/03	111.3600	-0.185	9.88†	10.21	11.06
JAPAN	No 119	4.800	06/99	105.0909	+0.249	3.74	3.83	3.95
	No 157	4.500	06/03	102.3703	+0.532	4.16	4.21	4.15
NETHERLANDS		7.000	02/03	105.8900	-0.030	6.15	6.16	6.38
SPAIN		10.300	06/02	106.5000	-0.175	9.17	9.37	10.28
UK GILTS		7.250	03/98	103-18	-2/32	6.34	6.38	6.76
		8.000	06/03	107-10	+1/32	6.95	6.93	7.53
		9.000	10/08	114-28	-	7.36	7.33	7.89
US TREASURY *		5.750	08/03	102-00	+8/32	5.48	5.67	5.92
		6.250	08/23	101-04	+11/32	6.17	6.22	6.70
ECU (French Govt)		8.000	04/03	108.4900	-0.020	6.77	6.80	7.26

London closing, *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Eurosterling sees first Mexican offering in two years

By Antonia Sharpe

THE Eurosterling bond market yesterday saw its first Mexican offering for two years when Bancomext, the state-owned import and export bank, raised £75m through an issue of seven-year Eurobonds.

INTERNATIONAL BONDS

The bonds, which carry a coupon of $8\frac{3}{4}$ per cent, were priced to yield 200 basis points above the 9 per cent UK government bond due 2000.

This represents a price improvement of 25 basis points for a Mexican state-owned entity in the Eurosterling market. When United Mexican States raised £100m through a seven-year issue two years ago, it paid 225 basis points over the underlying gilt. Although the spread has since tightened to 215 basis points, the price has risen to a large premium to par and the bonds have become illiquid.

Syndicate managers said yesterday's deal indicated Mexico had bowed to market pressure regarding the pricing of its Eurobonds, at least for now.

In recent months, Mexico has been pushing for a spread of less than 200 basis points. Investors, however, are unwilling to buy its Eurobonds below this threshold until the country has achieved an investment grade rating.

The lead manager, Samuel Montagu, said Bancomext was seeking to diversify its funding base by issuing in sterling. When the bonds were freed to trade, the spread narrowed slightly.

Meanwhile, Standard & Poor's, the US credit rating agency, assigned a speculative grade rating of BB- to Argentina's dollar-denominated foreign debt. The S&P rating is one notch above Argentina's B1 rating assigned by Moody's. S&P said although the rating was supported by Argentina's economic transformation, it was constrained by the country's large foreign debt burden relative to exports.

Argentina's net external debt, estimated at 205 per cent of exports, is the highest among sovereigns rated in S&P's BB category.

"Strict fiscal discipline will be essential for some time to come to secure recent improvements in credit-worthiness, given the country's past record of economic and political instability," S&P said.

Elsewhere, **Tchibo Holding**, the German chain of high street coffee shops, made its debut in the international bond market with a DM300m offering of 10-year Eurobonds.

The bonds, which carry a coupon of $6\frac{3}{4}$ per cent, were priced to yield 43 basis points over underlying bunds. The spread tightened rapidly to 35 basis points, reflecting the strong demand from domestic retail investors for this household name. The yield pick-up of Tchibo's issue over other Eurobond issues with the same maturity also contributed to the success of the deal. For example, Volkswagen's 10-year Eurobonds were trading at a spread of around 33 basis points over bunds.

Tchibo, which is unrated, said proceeds from the issue would be used to improve the balance sheet. It said Tchibo had wanted to take advantage of the favourable market conditions, but that it had no further plans to tap the international bond market.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
San Paolo (Nassau Branch)‡	100	(a)	100	Sep.2003	0.5R	-	Swiss Bank Corp.
D-MARKS							
Tchibo Holding Finance	300	6.75	102.85	Sep.2003	2.5(b)	-	Deutsche Bank
STERLING							
Bancomext (Grand Cayman)	75	8.75	99.225R	Sep.2000	0.875R	+200 (9%-00)	Samuel Montagu & Co.
FRENCH FRANCS							
Banque Nationale de Paris(c)	500	6.5	99.285R	Sep.2003	0.375R	+38 (6¾%-03)	Banque Nationale de Paris
YEN							
Sumitomo Crp. O'seas Capt.(d)	5bn	(d)	101.625	Dec.1998	1.625	-	Sanwa International
Euromoit‡	4bn	(e)	100R	Dec.1998	undiscl.	-	LTCB International
AUSTRALIAN DOLLARS							
Treasury Corp. of Victoria	100	7.25	101.25	Sep.2003	2.125	-	Hambros Bank
SWISS FRANCS							
LB Schleswig-Holstein(f)★φ	150	2.5	100	Oct.2001	-	-	Credit Suisse
BIL Finance(Cayman Is.)(g)φ	132	3.125	100	Sep.2002	-	-	Swiss Bank Corp.

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ★Private placement. φWith equity warrants. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. a) Coupon pays 6-month Libor - 0.1875%; minimum 5.4%, maximum 10%. b) Plus 0.5% listing fee. c) Issue launched on 23/8/93 was increased to FFr1.5bn. d) Coupon pays 4% until 2/12/96 and 5.1% thereafter. Short 1st coupon. Callable on 2/12/96 at par. e) Coupon pays 3.55% until 14/12/95 and 3-month Libor flat thereafter. Short 1st coupon. f) Warrants entitle holder to shares in Daimler-Benz. g) Borrower: Bank in Liechtenstein. Warrants entitle holder to a basket of BIL and Swiss bank sector equities.

Indian groups return to tap global investors

By Stefan Wagstyl in New Delhi and R C Murthy in Bombay

INDIAN companies are returning to international capital markets following an easing of investors' concerns about last year's financial scandal in Bombay and this year's sectarian disturbances.

Indian businesses see international capital issues as a vital source of funds for modernising industry, in the wake of the economic reforms started two years ago by Mr P V Narasimha Rao, the prime minister.

Two companies tapped the Euromarkets last month for a combined total of about $150m. At least six further companies plan to raise more than $400m by the end of the year.

The offerings come amid signs of growing interest in India among international fund managers. Foreign investors have put about $450m into the Indian stock market in the past six weeks, contributing to a strong surge in share prices.

Mr Udayan Bose, chairman of Creditcapital Finance Corporation, a merchant bank part-owned by Lazard Brothers, the UK investment bank, said yesterday international investors were becoming interested in India because the rush to invest in Latin America and China was slowing.

The first Indian issuer to tap the international markets was Reliance Industries, the flagship company of Reliance, a chemicals and textiles group. It raised $150m in May 1992. Other companies wanting to follow Reliance were forced to postpone their plans because of the securities market scandal among banks and brokers in the Bombay bond market.

It was not until November that the second issue was launched – by Grasim Industries, a textiles maker belonging to a grouping headed by Mr Aditya Birla, a leading entrepreneur. The destruction of the Ayodhya mosque on December 6, which sparked riots and concern about India's stability, forced other issuers to shelve plans once more.

Indian companies finally returned to the market last month. They were led by Hindalco, an aluminium maker also controlled by Mr Aditya Birla, and Essar Gujarat, a diversified group with interests in steel, shipping and trading. Each raised about $75m.

Next in line is Southern Petrochemicals Industries Corporation, a Madras-based petrochemicals group, with a $60m to $75m issue of global depository receipts next month. This will be followed by a $150m convertible bond issue from the Shipping Credit and Investment Corporation of India, a shipping finance group, and a $75m to $100m convertible bond issue from ITC, a tobacco and hotels company in which BAT of the UK has a stake.

This week Mahindra & Mahindra, a vehicle maker, announced plans for a $75m bond offering.

Liffe rethinks bono trade

By Tracy Corrigan

THE London International Financial Futures & Options Exchange (Liffe) may relaunch its unsuccessful Spanish government bond (bonos) contract this autumn, with a designated market-maker system to boost liquidity, according to traders.

Such a system obliges firms to keep a presence in the pit.

Three weeks ago, Liffe suspended the December contract due to lack of volume, and began reviewing the contract. The September contract, which was not suspended, traded 17 contracts last month, while a rival contract on Meff, the Spanish futures exchange, trades more than 10,000 daily.

Banco Bilbao Vizcaya (BBV), which in June became the first Spanish bank to obtain a seat on Liffe, may become one of a small group of market-makers in the contract.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:05 pm on August 26

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
Abbey Natl Treasury 6½ 03	1000	102⅜	102¾	+⅛	6.16
Alberta Province 9⅜ 95	600	110¼	110½		4.56
Austria 8½ 00	400	116⅛	116½	+⅛	5.44
Bank of Tokyo 8¾ 96	100	108⅛	109⅛	+⅛	4.50
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
Amed 7½ 95 LFr	600	100	101		7.48
Genfinance Lux 9⅛ 99 LFr	1000	108⅜	110½		7.24
World Bank 9 96 LFr	1000	102	103		7.12
Bank Voor Ned Gem 7⅝ 02 Fl	1000	105⅞	106¼		6.75
[illegible]					

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	17	49	14
Other Fixed Interest	0	2	13
Commercial, Industrial	349	220	853
Financial & Property	242	99	476
Oil & Gas	23	19	39
Plantations	1	0	7
Mines	23	45	65
Others	53	31	41
Totals	708	465	1,508

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
-	F.P.	-	101	98	Anglian Water Wrts	97		-	-	-	-
120	F.P.	-	147	125	Babcock	133	-5	-	-	-	-
†150	P.P.	-	188½	150	British Telecom (P/Paid)	182½	-½	N15.6	1.4	4.4	20.9
100	F.P.	-	100	94	Dunedin Japan Inv	99	+2	-	-	-	-
-	F.P.	-	55	38	Do Warrants	53		-	-	-	-
100	F.P.	-	102	97½	EFM Small Co's. Tst.	99		-	-	-	-
-	F.P.	-	58	52	Do. Warrants	53		-	-	-	-
-	F.P.	-	5	3½	¶Explaura A	5		-	-	-	-
-	F.P.	-	153	149	Finsbury Smlr. Co's. C	153		-	-	-	-
65	F.P.	-	82	75	Flying Flowers	82		R01.3	3.2	1.6	18.6
-	F.P.	-	70	67	For & Col Special Inc	70	+1	-	-	-	-
-	F.P.	-	46	42	Do Capital	46	+1	-	-	-	-
-	F.P.	-	116	109	Do Units	116	+2	-	-	-	-
100	F.P.	-	112	101	Lazard High Inc Tst	112		-	-	-	-
-	F.P.	-	68	52	Martin Currie Pac Wts	64		-	-	-	-
-	F.P.	-	27	18	Raglan Warrants	27		-	-	-	-
250	F.P.	-	346	285	Sharelink Inv Servs	345	+9	W7.5	1.8	2.7	24.9

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price £	+ or -
-	F.P.	-	117¼p	103p	Aspray 6¼pc Cnv Pf	110½p	
100	F.P.	-	108⅝	105	Costain Wyndh 6¼pc Cv Bds 2003	108⅝	+1⅛
-	F.P.	-	114	113	Ex-Lands 7½pc Cv Ln 2020	113	
100	F.P.	-	104½	98¼	Greenalls 7pc Cv Bds 2003	104½	+⅝
-	F.P.	-	106½	104½	Natl. Power 6¼pc Cv Bds 2008	104½	
-	F.P.	-	113⅛	107⅛	Warburg 6½pc Cv Bds 2008	113	+½
-	F.P.	-	107½	107	Wilson 6¼pc Bds	107	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+ or -
10	Nil	27/9	3¼pm	1pm	Business Technology	3¼pm	+¼
75	Nil	3/9	30pm	3pm	Cussins Property	20pm	
8	Nil	1/9	3½pm	2½pm	¶Northumbrian Foods	3pm	
165	Nil	28/9	28pm	18pm	Sedgwick	24pm	-1
240	Nil	22/9	40pm	30pm	TT Group	33pm	+3
101½	Nil	27/9	1½pm	¾pm	¶Wilers	¾pm	
1	Nil	4/10	½pm	¼pm	¶Wilton	½pm	

pm Price at a premium. † Price offered to public.
For other notes please refer to the Guide to the London Share Service.

TRADITIONAL OPTIONS

- First Dealings Aug. 23
- Last Dealings Sept. 10
- Last Declarations Nov. 25
- For settlement Dec. 6

3-month call rate indications are shown in Saturday editions.

Calls: Avesco, BM Group, Clyde Pet., Flextech, HSBC (75p), Penland, Spring Ram and Telemetrix. Puts & Calls: Anglo Pacific, Stonehill and Tarmac.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

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August 26 Total Contracts 24,078
Calls 12,687 Puts 10,391
FT-SE Index Calls 2,752 Puts 4,183
Euro FT-SE Calls 1,080 Puts 428
*Underlying security price. † Long dated expiry months.
Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

	PRICE INDICES	Thu Aug 26	Day's change %	Wed Aug 25	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (24)	128.63		128.62	1.48	7.91
2	5-15 years (23)	154.74	-0.03	154.78	1.52	9.24
3	Over 15 years (9)	173.05	-0.12	173.26	1.16	8.55
4	Irredeemables (6)	201.50	-0.35	202.21	2.37	8.47
5	All stocks (62)	150.27	-0.04	150.33	1.46	8.75
	Index-Linked					
6	Up to 5 years (2)	186.88	+0.17	186.57	0.42	3.41
7	Over 5 years (11)	181.10	+0.26	180.62	0.74	3.42
8	All stocks (13)	180.82	+0.25	180.36	0.70	3.41
9	Debs & Loans (65)	142.50	-0.07	142.59	1.96	7.62

	AVERAGE GROSS REDEMPTION YIELDS		Thu Aug 26	Wed Aug 25	Year ago (approx.)
	British Government				
1	Low	5 years	6.40	6.40	9.09
2	Coupons	15 years	7.18	7.18	9.19
3	(0%-7¾%)	20 years	7.33	7.31	9.10
4	Medium	5 years	6.54	6.53	9.84
5	Coupons	15 years	7.34	7.33	9.37
6	(8%-10¾%)	20 years	7.42	7.41	9.25
7	High	5 years	6.74	6.73	10.08
8	Coupons	15 years	7.57	7.56	9.61
9	(11%-)	20 years	7.59	7.58	9.68
10	Irredeemables (Flat Yield)		7.51	7.49	9.29
	Index-Linked				
11	Inflation rate 5%	Up to 5 yrs.	2.51	2.58	4.61
12	Inflation rate 5%	Over 5 yrs.	3.27	3.29	4.70
13	Inflation rate 10%	Up to 5 yrs.	1.71	1.75	3.83
14	Inflation rate 10%	Over 5 yrs.	3.09	3.11	4.51
15	Debs &	5 years	7.79	7.81	11.03
16	Loans	15 years	8.19	8.19	10.86
17		25 years	8.33	8.32	10.51

COMPANY NEWS: UK AND IRELAND

Slough Estates drops to £29m

By Vanessa Houlder, Property Correspondent

SLOUGH ESTATES, the UK's largest industrial property company, yesterday announced a 14.5 per cent fall in pre-tax profits to £28.5m for the six months ended June 30.

Sir Nigel Mobbs, chairman, was cautiously optimistic about the group's prospects, saying that there had been a "significant" increase in inquiries for space.

"As economic recovery becomes more evident and business confidence returns, so I become more optimistic of the medium-term prospects of the group for both improved property occupancy and values," he said.

The profit decline mainly reflected a reduction in the amount of interest capitalised. Profit before interest and tax rose 18 per cent to £57.2m.

FRS 3, the new accounting standard on reporting financial performance, required Slough to recognise £2m of profit from investment property sales.

The standard defines profits on disposal of investment properties in the profit and loss account as the difference between the net proceeds of the sale and the prior year-end book value.

At June 30, the group had net borrowings of £663m and shareholders' equity, based on December 1992 valuations, of about £1.07bn. Net gearing was 62 per cent, compared with 83 per cent at end-1992. The £147m rights issue in March was 87 per cent taken up.

Earnings per share fell from 6.5p to 4.4p. The interim dividend is unchanged at 3.1p.

Sir Nigel Mobbs: significant increase in inquiries for space

● **COMMENT**

Slough Estate's share price, which closed 1p down at 241p, has nearly tripled in value over the past year, reflecting a sea change in sentiment towards the sector. A year ago, Slough was cutting its dividend and worrying about the dim prospects for any short-term improvement in the property market. Yesterday, it was pointing to a sustained improvement in business confidence and a significant increase in inquiries for space, making it sufficiently optimistic to plan a new speculative development on its Slough trading estate. Nonetheless, anyone looking for hard evidence of an improvement in the underlying property market in yesterday's results would be disappointed. In the UK, occupancy rates actually fell as success in letting new buildings was offset by tenant failures and lease expiries. The likelihood of slow, if steady, progress on the letting front will restrict Slough's scope to increase its dividend for several years. That leaves potential investors with a solid, but unexciting, prospect of a near-average yield for the sector and a share price that is at a slight discount to the company's likely year-end net asset value.

Expanding Wolseley in £51m US buy

By David Blackwell

WOLSELEY, the heating and plumbing distributor, has turned its sights back to the US after several continental European acquisitions.

It is paying up to £51.5m for Erb Lumber, a distributor of lumber and associated products with 47 leased branches in Michigan, Indiana and Ohio.

With Wolseley raising more than £100m through share placings with a wide range of institutions yesterday, further acquisitions are expected soon.

The group is financing the Erb acquisition through a vendor placing of 8.1m new ordinary shares at 632p each. The shares closed yesterday unchanged at 654p.

At the same time Wolseley placed another 8.7m shares raising a further £55m. The 16.8m shares represent about 6.8 per cent of the equity. The placings were separated to comply with Stock Exchange requirements.

Mr Richard Ireland, finance director, said yesterday that it seemed sensible to make a cash placing at the same time as the Erb placing as discussions were under way on further possible purchases. He declined, however, to give any details.

Erb Lumber, an 80 year old company, returned pre-tax profits of $12.1m (£8m) last year on turnover of $271.3m.

Wolseley said the acquisition would substantially boost its US lumber business and more than double annual sales of Carolina Builders Corporation of Raleigh, North Carolina, a wholly owned subsidiary. Total US turnover for Wolseley last year was £997m.

The group will pay £46.3m, about 90 per cent of the total price, on completion. The balance will be paid in two further instalments based on Erb's net asset value on August 31.

In March, Wolseley reported a 41 per cent increase in pretax profits of £47.6m for the six months to end-January on turnover of £1.1bn.

Analysts are looking for a full-year outcome of £110m or more when the results appear in October.

Rentokil dispels growth concern with rise to £67m

By Richard Gourlay

RENTOKIL, the environmental and property services company that recently bought Securiguard for £75.7m after a hostile takeover battle, yesterday went a long way towards dispelling concern that growth in its existing businesses was running out of steam.

The group reported a 30 per cent rise in pre-tax profits to £67.1m for the six months to end-June on sales up 20 per cent at £252.4m, and a near-30 per cent increase in earnings per share to 4.39p.

The interim dividend is increased by 31 per cent to 0.84p.

"We are pleased that the UK, North America and Asia have performed well against a background of difficulties in continental Europe," said Mr Clive Thompson, chief executive.

Rentokil's bid for Securiguard, which has cleaning and personnel businesses as well as the manned property guarding business, alarmed some analysts who believed the group was diversifying into low margin businesses and that the limits of organic growth were being reached in the existing businesses.

Mr Thompson said the types of businesses the group had acquired were low margin for some people but not for Rentokil who could charge people who wanted a quality product.

The group pushed up margins in the UK, where an 8 per cent increase in sales to £93.3m produced profits up nearly 20 per cent at £26.6m.

Healthcare, pest control and hygiene showed steady growth and tropical plants had grown very quickly. Property care, hit by the slowdown in the rate at which people have been moving house, had also showed some benefit from the improvements in the improving economy.

Continental European sales rose by 25 per cent to £77.2m with profits up 32 per cent to £18.8m. France, Switzerland and Sweden had grown strongly while there had been some slowdown in Belgium and Germany.

Profits in North America rose 50 per cent to £5.2m on sales up a third at £29.2m, while Asia Pacific and Africa increased turnover by 30 per cent to £52.7m and profits by 44 per cent to £14.2m

Net cash at the end of the period was £73.3m.

See Lex

IN BRIEF

BARDON GROUP has received acceptances totalling 172m new ordinary shares (90.96 per cent) of its recent rights issue.

BRITTON Group has received acceptances in respect of 129m new ordinary shares, representing 97.72 per cent of the total number offered. Subscribers have been procured for the remaining shares at a premium and the proceeds will be distributed to qualifying shareholders.

BURLINGTON GROUP reported profits before tax of £64,000, against £54,000, for the half year to June 30. Earnings per share improved from 0.28p to 0.39p. Net asset value was 18.78p, up from 18.13p at the December year-end and 17.52p at the end of June 1992.

EXPLAURA Holdings: Credit Suisse has acquired 5m ordinary A shares (6.13 per cent).

GREENACRE GROUP has bought the assets and business of Clare Hall Nursing Home in Ston Easton, Bath, for £2.12m cash. Clare Hall is registered for 65 elderly, general medical patients, and for the year ended March 31 made profits of £402,000 before interest and tax. Greenacre now has 12 homes and 575 beds under operation or development.

HEADLAM GROUP has received acceptances in respect of 4.51m (96.8 per cent) of its rights issue. The balance has been placed in the market at a premium.

HELICAL BAR has received acceptances in respect of 26.2m new convertible preference shares, representing 90.85 per cent of its recent rights issue.

OCEONICS Group: some 1.08m convertible preference shares were applied for under the open offer which closed yesterday, representing 23.4 per cent. Therefore, the total take-up of shares was 4.4m (95 per cent).

PRIMADONA: Net asset value 241p (181p) per share at June 30. Net revenue for 12 months was £173,927 (£230,368) for earnings of 3.9p (5.1p) per share. Proposed final dividend held at 2.5p for maintained total of 4.5p.

TR HIGH Income Trust reported a net asset value of 120.9p per share as at June 30, against 110p at the December year-end and 101.1p at end-June 1992. Net revenue for the six months amounted to £802,000, up from £683,000, for earnings of 3.18p (2.66p) per share. Dividends of 1.6p have already been paid for the current year and directors intend to maintain the total at 6p.

Exceptional redundancy costs leave Weir down 10% at £16.7m

By Roland Rudd

WEIR GROUP, the engineering company with about 60 per cent of its sales overseas, reported a 10 per cent fall in pre-tax profits for the half year to July 2.

The decline from £18.5m to £16.7m was after an exceptional item of £2.43m covering redundancy and reorganisation costs.

Operating profit rose to £14.8m (£14.6m).

All but £100,000 of the exceptional charge related to severance pay for the loss of 200 employees, reducing the workforce to 6,700. The scale of the job cuts surprised analysts. The group said there were unlikely to be further reductions in the second half.

Turnover rose to £223.5m (£194.8m.) Earnings fell to 7.4p (8.2p). The interim dividend is raised to 1.925p (1.75p).

Lord Weir, chairman, said the company had a flat half, but was confident that orders would pick up in the UK.

The level of inquiries remained encouraging, although a fall in spare part orders and bookings would affect the second half.

The outlook on the Continent was worse than expected. "The cut in prices has more than swallowed up our exporting advantage since the UK left the European Exchange Rate Mechanism last year."

The period ended with £67m net cash, against £52m at the end of 1992.

Lord Weir said he was pleased with the recent acquisition of Darchem, and the group was looking at further acquisitions.

● **COMMENT**

For a company as predictable as Weir, its announcement of a £2.4m redundancy and reorganisation charge took the market by surprise. But the lay-off of 200 employees appears to have more to do with productivity gains than a serious downturn in the group's markets. The built-in strength of long-term contracts has enabled the group to largely buck the recession which has affected many of its competitors. The profit fall is disappointing, but was mainly because of the exceptional charge. It would also be unfair to forget that last year's performance was particularly good even by Weir's standards. With forecast annual pre-tax profits of £37.5m the shares – down 30p to 318p – are fairly priced on a prospective multiple of 19.

Labsystems helps Life Sciences to 22% advance at £10.3m

By Peter Pearse

LIFE SCIENCES International, the scientific instruments manufacturer, increased pre-tax profits by 22 per cent from £8.48m to £10.3m in the six months to June 30, helped by the May acquisition of Labsystems, the Helsinki-based instruments group.

However, Mr Simon Constantine, acquisitions and finance director, pointed out that about half of Labsystems' £1.54m trading profit contribution derived from a one-off shipment of about £1.1m to its equipment distributor in the US, on which few expenses devolved to the enlarged group.

Trading profits of continuing operations expanded to £8.64m, compared with £7.83m, with which Mr Constantine was "content", although he said that the group had had "no help from the market, especially in the first quarter".

But he said that the acquisition of Labsystems – for £33.5m funded by equity (£12m) and debt – had created a platform for the medium-term growth of the group.

Before the purchase, 67 per cent of Life Sciences' business was in North America and 23 per cent in Europe.

After the acquisition Labsystems' European bias had shifted the percentages to 56 and 35 per cent respectively.

As well as geographical balance, the acquisition also complemented Life Sciences' range of products, increasing consumables from 5 to 20 per cent of the product whole.

Since the end of the period the group has also acquired Alko Diagnostic, a maker of consumables, for $6.5m (£4.4m) and Memphis Biomedical Services for up to $1.5m.

Consequently, group debt has risen to £30.9m, giving gearing of about 70 per cent.

Mr Constantine conceded that the balance sheet was "a bit stretched".

The interim dividend is lifted by 17 per cent to 1.4p compared with 1.2p, payable from fully diluted earnings per share of 4.3p against 3.8p.

Hambro Country back in black

By Vanessa Houlder, Property Correspondent

A PICK-UP in activity in the housing market restored the profitability of Hambro Countrywide, the estate agent and financial services chain, which yesterday announced pre-tax profits of £13.2m for the half-year ended June 30, compared with an adjusted loss of £3.87m for the same period in 1992.

The return to profitability was accompanied by the restoration of an interim dividend of 0.5p.

The turnround in the company's fortunes was attributed to the improvement in the housing market, particularly in the first four months of the year, together with a higher market share by its estate agency chain and an improved contribution from Wright Oliphant and the Hambro Countrywide Relocation's asset management activities.

The results included a gain of £11.4m from the sale of its remaining stake in Hambro Legal Protection to Hambro Insurance Service Group.

At the end of June, the group had 452 estate agency office, which sold 23,263 houses in the first six months, a 17 per cent increase over last year. The average price of houses sold fell by 5.9 per cent to £61,750.

The estate agency base financial consultants arranged 8,093 mortgages worth £364m and 9,458 life assurance policies.

Hambro said it was keen to expand its network of estate agencies, which it believed could be profitable in its own right and an effective distribution channel for financial services.

It said it expected the Treasury's recent decision about the disclose of commissions and other charges in the life assurance industry to be neutral on Hambro Guardian's competitive position.

Earnings per share were 3.77p, compared to adjusted losses per share of 1.26p in 1992. The interim dividend compared with a total payment of 0.05p last year.

English Trust stake in Greyfriars Inv

English Trust Company, the investment management and corporate finance group, has acquired 1m shares in Greyfriars Investment at 27½p per share. This represents 14.29 per cent of the Greyfriars capital.

English Trust will extend the offer to all Greyfriars holders at the same price.

Jupiter Tyndall Merlin has, on behalf of its discretionary clients who hold 28.33 per cent of Greyfriars, undertaken to accept the offer only to the extent that enables English Trust to acquire over 50 per cent of the equity and to declare the offer unconditional.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Bostrom	int	2.5	Dec 3	2.5	-	6
Cattle's	int	1.9	Oct 29	1.6	-	4.7
Church	int	3	Oct 22	3	-	12.5
EFT	int	0.46	Oct 29	0.4	-	1.3
Gibbs and Dandy	int	1	Oct 1	nil	-	nil
GRE	int	2.65	Jan 4	2.5	-	7
Hambro Country	int	0.5	Oct 25	nil	-	0.05
Irish Life	int	3♣	Nov 26	3	-	8.44
Life Sciences	int	1.4	Oct 29	1.2	-	3.55
Mallet	int	0.5	Oct 14	nil	-	2
McAlpine (A)	int	3	Oct 18	3	-	6.5
Merlin Green Inv	int	1.7	Sept 30	1	-	2.1
Murray Income	fin	4.15	Oct 27	4	10.9	10.6
Pegasus §	int	2	Oct 29	3.5‡	-	9
Pentland	int	1.16	Nov 1	1.04	-	2.5✶
Primadona	fin	2.5	Oct 5	2.5	4.5	4.5
Rentokil	int	0.84	Nov 8	0.64	-	2.31
Slough Estates	int	3.1†	Oct 14	3.1	-	8.1
Weir	int	1.925	Nov 12	1.75	-	5.9

Dividends shown pence per share net except where otherwise stated. §USM stock. ‡For part of 17 months period. ♣Irish currency. ✶Excludes 12p special.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Clondalkin, Coutts Consulting, Lec Refrigeration, London Finance & Investment, Shorco

Finals- Minerals Oils & Resources Fund Survey, West Trust.

FUTURE DATES

Interims-

Blue Circle	Sep 9
Burford	Sep. 1
Calor	Sep. 15
Crane Europe	Aug. 31
EIS	Sep. 13
Eadie	Sep 8
Edmond	Sep. 16
Enterprise Oil	Sep 9
Gaskell	Sep. 7
Intl Food Machinery	Sep 16
JIB	Sep 3
Jupiter Tyndall	Sep 7
Murray European Inv	Sep. 16
Nurdin & Peacock	Sep. 8
Oliver	Sep. 15
Ropner	Sep. 9
Savoy Hotel	Sep. 15
Sumit	Sep. 8

Finals-

Industrial Control Serv	Sep. 7
Scottish Asian Inv	Oct. 11

Irish Life lifts premium income by 9% to I£340m

By Tim Coone in Dublin

IRISH LIFE, the largest funds manager in the life and pensions market in Ireland, reported a 9 per cent upturn in premium income to I£340.2m (£318.8m) for the six months to June 30 1993.

Investment income improved 32 per cent to I£154.6m (£144.8m).

The main growth in business occurred in the US through the Interstate subsidiary, where premium income almost doubled from I£32.5m to I£62.3m.

Mr David Kingston, group managing director, said new recurring premium business in the core Irish market had declined slightly "because of the taxation situation in Ireland, which benefits short-term savings at the expense of long-term investments and a general lack of buoyancy in the savings market".

He said a marked capital appreciation of I£446.8m on linked investments was a result of strong advances in equity prices since devaluation of the punt last January, while the sharp drop in interest rates which had paralleled this development had improved the perspectives for new single premium business.

The cashing-in of single premium policies was a significant source of the downturn in premium income in the full year accounts to the end of 1992, and according to Mr Kingston, continued to be "a major problem in January" prior to the devaluation. Claims and the cashing-in of policies, which have grown sharply from I£305m to I£425m in the first half this year, "are now running back at historic levels", he said.

Group total assets have increased by I£713m to I£4.95bn since the end of 1992. No embedded value figure was given with the interim results, which Mr Kingston said was standard industry practice.

Virgin poised to sell 15% of games offshoot to Hasbro

By Karen Zagor in New York

VIRGIN Communications, the holding company for Virgin Group's entertainment, broadcasting, publishing and production interests, yesterday said it would sell a 15 per cent stake in a subsidiary for about $25m (£16.8m) to Hasbro, the US toy company.

The subsidiary, Virgin Interactive Entertainment, develops and publishes interactive entertainment games for Nintendo, Sega and several computer platforms. The company has licensed a number of Hasbro products in the last five years including the Monopoly and Risk board games.

Virgin and Hasbro have also agreed to form a joint venture within Virgin Interactive to develop and market Hasbro's existing products and other properties.

The Hasbro stake in Virgin Interactive, which is subject to regulatory approval, will dilute the holding of Mr Richard Branson, who controls the company.

Mr Robert Devereux, chairman of Virgin Interactive and Mr Branson's brother-in-law, said: "The proceeds from Hasbro's investment will provide VIE with increased financial flexibility as strategic opportunities arise to expand the business." The two companies plan to work together in product development, marketing and acquisitions.

Two Hodder directors resign

By David Blackwell

Two directors of Hodder Headline, the independent publishing company, resigned yesterday. Mr Patrick Wright and Mr Tom Biggs-Davison were leaving by mutual agreement, said Mr Tim Hely Hutchinson, chief executive of the group which was formed in June when his Headline company took over Hodder & Stoughton.

Mr Brian Steven, managing director of the education division, and Mr Richard Stileman, managing director of Edward Arnold (Academic and Professional Division), will be appointed directors from September 1.

Mr Hely Hutchinson said the board changes contributed to the group's overhead reduction programme and clarified the management structure. Earlier this month Hodder made 72 staff redundant following the merger. Further redundancies will follow when Hodder's distribution centre near Sevenoaks is closed.

ACT deal nets S&F £31m

SINGER & Friedlander has netted £30.8m from the sale of its entire shareholding in ACT Group, which is primarily engaged in the supply of computer software and services and the design and development of business computer applications.

The deal involved the placing by Credit Lyonnais Laing with a number of UK institutions of 19.1m shares, nearly 10.4 per cent of the capital, at 161½p.

In the market yesterday the shares slipped by 1p to 175p.

For the year to September 30 the investment in ACT contributed some £2.7m to Singer & Friedlander pre-tax profits.

Book value of the investment at that date was £18.9m.

NEWS DIGEST

Pegasus soars to £1m halfway

PEGASUS Group, the USM-quoted producer and distributor of accounting software, trebled pre-tax profits in the first half of 1993 to £1.02m.

For the 1992 period to July 31 the figure was £335,000.

Revenue was boosted by the introduction of Version 6 of the mainstream Pegasus Senior product and statutory upgrades, said Mr Jonathan Hubbard-Ford, chief executive.

The impact of those upgrades would not recur in the second half and software sales would continue at reduced levels despite the introduction of Pegasus Opera in the final quarter.

The benefit of integrating the Pegasus Supply business with Stockforms had become increasingly evident.

The group was in a period of transition as resources were increasingly committed to the development and marketing of Pegasus Opera, Mr Hubbard-Ford emphasised.

An interim dividend of 2p is declared, payable from earnings per share of 9.4p. That compared with 3.5p from 3.8p last time, which was part of a 17 months accounting period.

Gibbs and Dandy back in the black

Gibbs and Dandy, the builders' merchant, swung from losses of £92,000 to profits of £292,000 pre-tax for the half year to June 30.

Dividends are resumed, after a three year lapse, via a 1p interim. Barring unforeseen circumstances, a second interim of at least 1p will be payable on April 5.

Earnings of 2.5p compared with previous losses of 1.2p.

Directors said the profits improvement largely reflected the cost benefits of actions taken in the previous two years and continuing tight management of overheads.

Interest costs fell from £213,000 to £74,000.

Turnover edged ahead to £11.4m (£11.3m) and generated operating profits of £366,000 (£121,000).

Sharp turnround at Mallett

Mallett, the antiques dealer, returned to profit in the first half of 1993, making £409,000 pre-tax. Last time the loss was £485,000.

Turnover rose from £3m to £5.13m as business gradually improved over the period with a very good result in June. Margins were not as high as the company would have liked but that was the result of selling a number of items on commission.

The directors stated sales in the second half have so far held up well.

Earnings per share were 1.98p (losses 3.51p). Interim dividends are restored with a payment of 0.5p.

Net assets rise at Murray Income

Murray Income Trust had a net asset value per ordinary and B ordinary share of 317p at June 30, compared with 260.2p a year earlier.

Net revenue for the 12 months slipped from £8.87m to £8.75m and earnings per share came through at 10.49p (10.64p).

A final dividend of 4.15p (4p) is proposed for an improved total of 10.9p (10.6p). For the year to June 1994 the directors are forecasting a final of 4.3p.

The trust is managed in Glasgow by Murray Johnstone.

Merlin Intl Green lifts dividend

At June 30 net asset values of Merlin International Green Investment Trust were 58.71p for the ordinary and 51.81p for the zero dividend share.

Net value per unit of one ordinary and one zero dividend share came to 110.52p, against 90.53p a year earlier.

In the half year gross revenue rose from £538,000 to £725,000, and net revenue after tax came to £484,000 (£269,000).

This yielded earnings per share of 1.92p (1.1p) and the interim dividend is 1.7p (1p).

ICI director makes £0.17m on shares sale

Mr Chris Hampson, executive director of Imperial Chemical Industries, gained £172,218 after exercising share options granted under its senior staff share option scheme.

Mr Hampson exercised 114,812 share options at 540p a share and sold them at 690p. He still has options over 87,638 shares.

COMPANY NEWS: UK

Reduced interest receipts add to effect of closing lossmaking operation

US costs knock Pentland to £6.7m

By Maggie Urry

LOSSES AND closure costs at its US trade finance business and lower interest receipts hit Pentland Group in the six months to June 30.

After bearing costs of £9.5m connected with the US operation, the consumer brands company was left with reduced pre-tax profits of £6.7m, against £19.7m, on an FRS 3 basis.

The share price fell 7p to 106p.

However, the underlying *improvement in operating* profits from continuing businesses and associates was 14 per cent and the interim dividend is raised to 1.16p (1.04p).

This follows a 12p special dividend paid in April from the profit on the sale of Pentland's 20 per cent stake in Adidas, the sports goods company, realised last autumn.

Mr Stephen Rubin, chairman, said the results were "clearly disappointing." Finchside, the US trade finance subsidiary which financed imports to the US, had been hit by bad debts. It lost £2.2m in 1992, of which £2m was in the second half.

Mr Rubin said: "After careful consideration we have discon*tinued this activity as it was* not central to our strategy and we were no longer satisfied with the risk-reward ratio in the business."

In the half year under review it suffered trading losses of £2.8m and made a £6.7m provision for closure costs.

Mr Frank Farrant, finance director, said the business had been set up more than three years ago and made profits in the early stages. But US recession had hit importers, losses escalated and Pentland decided to "bite the bullet."

He said: "With the benefit of hindsight, we made an error of judgment."

Group turnover increased 32 per cent to £198.4m, with acqui*sitions chipping in £28.2m and* continuing operations increasing their contribution by 13 per cent to £168.1m.

Operating profits from continuing businesses fell by £1m to £3.4m. Growth from the Speedo swimwear business was offset by weakness in the footwear and international trade services divisions.

Mr Farrant said shifts in fashion had turned against trainers, although Kickers, another of its footwear brands, had fared well.

Acquisitions, notably Woods Wire, a US electrical goods group, and Berghaus, the UK specialist outdoor clothing company, contributed £1.6m.

Associate profits, from the 26 *per cent stake in Authentic Fit*ness, the quoted US distributor for the Speedo swimwear brand in North and Central America, were £1.7m (£1.5m).

Interest receivable fell from £14m to £9.5m, largely because of lower interest rates on its £252.9m cash pile.

The tax rate rose sharply, because of the US losses, and after the special dividend there was a transfer from reserves of £46m (profit £9.5m).

Earnings per share were 0.41p (3.69p) or 2.27p adjusting for the closure provisions.

At the year end the group had net cash of £347.3m, but this had fallen to £252.9m by the period end after the £43.3m cost of the special dividend and *£42m spent on acquisitions,* including two US footwear companies.

Mr Rubin said the group was seeking "further suitable acquisitions."

Cantab poised for listing in London

By Richard Gourlay

CANTAB Pharmaceuticals, the UK bio-pharmaceutical company quoted on Nasdaq in the US, is to come to the London market through a placing or open offer likely to raise between £15m and £20m.

In July last year the company sold 1m shares at $10 (670p) in an initial public offering, since when the stock *has slipped to about $8 in line* with a fall that has hit much of the US bio-technology sector.

The company also raised $5m through a private placing in the US earlier this year.

Mr Paul Hancock, chief executive, said it had always been the group's intention to raise money in its home market.

*Like many of the bio-tech*nology companies that have come to the market, Cantab is some way from developing a marketable drug. The candidate drug it currently believes most likely to make it to market is LM-CD45, a white blood cell modulator which it is developing in collaboration with Baxter Healthcare, the large US corporation.

The drug, if successfully developed, would be used to prevent rejection of kidneys after transplant operations and could replace the use of immuno-suppressive drugs. The product is currently in stage 2 clinical trials which means that at the earliest it will make it to market in 1997.

The three other products Cantab expects to go into clinical trials shortly would not be on the market before 1998.

The group was co-founded in 1989 by Mr Alan Munro, former head of immunology at Cambridge University. It is pursuing research in organ transplant rejection, cervical cancer, genital herpes, genital warts and inflammatory bowel disease.

In the six months to June 30 1993, Cantab lost £1.2m, compared with a deficit of £1.4m in the year to end-December. It has cash of about £8.1m.

Barclays de Zoete Wedd is adviser to the issue. A prospectus is expected within the next two weeks.

Alfred McAlpine deficit widens to £2.5m

By Andrew Taylor, Construction Correspondent

ALFRED McAlpine, the UK construction and building materials group, suffered an increased pre-tax deficit of £2.5m for the six months to April 30 1993.

The outcome compared with losses of £71,000 for the corresponding period.

Mr Oliver Whitehead, who was appointed chief executive in May, warned that large areas of the UK construction market remained deeply depressed.

Reports of a recovery had been greatly overstated, he said. Even if increased spending on infrastructure was approved now by government *and private sector utilities,* it would take several years for projects to come to fruition.

Mr Whitehead said that ministers had recently announced ambitious plans for widening motorways and improving railways but had so far not indicated where the money was coming from.

Group turnover in the first half had fallen from £250m to £241.3m. After all deductions the group incurred losses per share of 3.3p, compared with earnings of 0.2p at the corresponding stage last year. The company, however, opted to pay a maintained interim dividend of 3p.

There were some bright spots, directors said. The UK housing market had begun to recover, while construction activity was increasing in North and South Carolina, where McAlpine's US interests are mainly based.

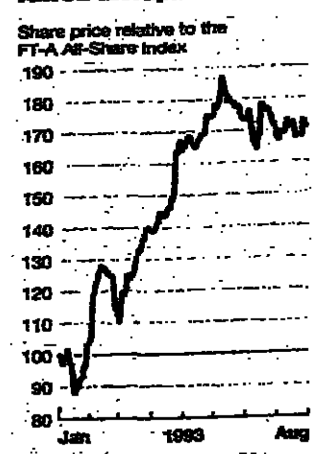
Pre-tax profit in the US during the first half fell from £528,000 to £85,000 due to a wet *winter and losses on two con*tracts. Profits, but for these two contracts, would have been about the same level as the previous year, said Mr Whitehead.

He expected US profits to be higher for the full year.

UK housing profits were also expected to rise after a sharply-reduced first half loss, down from £1.33m to £254,000. The number of house sales rose from 469 to 593 while operating margins rose from 3.3 per cent to 4.7 per cent.

Alfred McAlpine

Share price relative to the FT-A All-Share Index



Source: FT Graphite

On the UK construction side, which in last year's first half made a £2.02m profit, losses of £486,000 reflected the difficult trading conditions and a £750,000 exceptional loss on disposals.

UK aggregates incurred a loss of £161,000 compared to a £490,000 profit.

● COMMENT

McAlpine's share price has outperformed the FT-A All-Share Index by more than 70 per cent since January 1. A 2p fall to 213p, after yesterday's announcement, still left the shares just short of their high for the year of 218p. The efforts of Mr Whiteheads's predecessor Mr Graeme Odgers, now chairman of the Monopolies and Mergers Commission, in reducing costs has left the company well placed to take advantage of a recovery. The businesses and the balance *sheet, with gearing of only 22* per cent, are soundly placed. Pre-tax profits this year could reach £6m, producing earnings just sufficient to cover a maintained total dividend for the year of 6.5p. It is difficult, however, to envisage the share price continuing to outperform *while the UK housing recovery* shows little sign of spreading to other areas of construction.

Church more than doubled at £565,000

CHURCH & Co, the shoe maker and retailer, more than doubled pre-tax profits from *£244,000 to £565,000* in the six months to June 30 on sales up 11 per cent to £33.1m.

The company attributed the advance to a sharply improved performance at Church Footwear and Joseph Cheaney, the UK manufacturing subsidiaries and at A Jones, which operates all the Church and Jones shops in the UK.

The situation overseas, however, continued to be difficult. The US and Canadian companies sustained losses in highly competitive trading conditions and moves were under way to strengthen Canadian management.

Profits from Belgium were marginally lower and the *French retail company* incurred a small loss.

The interim dividend is maintained at 3p on earnings per share of 2.8p (1.9p).

● A Jones benefited from improved trading conditions for UK shoe retailing and achieved a turnround from losses of £26,000 to pre-tax profits of £279,000. Sales rose 8 per cent to £14.8m.

Consumer credit boost for Cattle's

By David Blackwell

CONTINUING strong demand for consumer credit lifted interim profits at Cattle's Holdings.

The pre-tax outcome amounted to £6.9m, compared with £6.66m.

However, under FRS 3, last year's figure was restated from the originally reported £5.2m before an exceptional gain of £1.4m from profits on the flotation of a 55 per cent stake in Roseby's, the curtain and linen stores group.

Turnover from continuing operations rose to £98.7m, up from £94.8m.

Turnover for the consumer credit division, led by Shopacheck, the door-to-door weekly credit business, rose to £77.8m from £72.4m. Profits rose 32 per cent from £5.1m to £6.8m.

Mr Eddie Cran, chief executive, described the consumer credit division's performance as exceptionally good. He attributed the profit rise to control of bad debt, containment of costs, interest rate cuts and an increased customer base.

The corporate services sector, with turnover of £7.05m (£8.12m), reduced losses from £265,000 to £19,000. Mr Cran predicted that the problems caused by recession were coming to an end, and that the division would return to the black by the end of the year.

The insurance services division reported a steep fall in profit to £182,000 (£330,000) on turnover of £10.7m (£10.9m). Mr Cran said the division had lost clients to direct line insurers. While the group was confident of winning clients back, it forecast the results of this division to be below expectations for the year as a whole.

Earnings per share were 4.25p, compared with a revised 4.26p under FRS 3. Last time's earnings were originally 3.16p.

The interim dividend goes up to 1.9p (1.6p).

Acquisition behind 26% advance to £1m at Bostrom

By Peter Pearse

BOSTROM, the vehicle seating and specialist engineering group, lifted pre-tax profits by 26 per cent to £1m in the six *months to June 30 thanks to* the acquisition in February of AJW Holdings and the turnround to profits of its joint venture.

The improvement, from £796,000, was struck on turnover of £24.2m (£17.1m) of which AJW, a fellow automotive components maker acquired for an initial £1.79m, contributed £3.66m. Operating profits were flat, though AJW chipped in £135,000.

Interest payable rose to £231,000 (£201,000) because of the £2m debt that AJW carried, but Bostrom benefited from a *£160,000 profits (deficit £73,000)* contribution from BFA UK, the joint venture making seating frames and components for Jaguar.

Mr Colin Howell, managing director, said the group had seen higher sales to both Jaguar – "admittedly from a very low base" – and Land Rover, where the Discovery had greatly increased volumes. Volumes were also up at Rover and Honda and, even though they fell at Ford, Bostrom lifted its market share there.

Continental Europe was "hurting the seating division, but this was compensated for by Japan, Australia and the improved UK market," said Mr Howell.

Mr Howell said that current order books were "much stronger" than they had been a year ago.

Earnings per share rose to 5.1p (4.5p) and the interim dividend is maintained at 2.5p.

EFT achieves gain of 25% to £881,000

EFT Group, the provider of asset finance, lifted pre-tax profits by 25 per cent in the six months to June 30.

Revenue fell slightly to £3.67m (£3.7m) but the pre-tax result came out at £881,000 against £706,000.

Mr Hamish Grossart, chairman, said that trading since June 30 had continued at the buoyant levels achieved in the first half. He expected the new commercial vehicle contract hire and truck rental division to make a small contribution to second half profits.

Earnings rose from 1.49p to 1.79p and the interim dividend is raised to 0.46p (0.4p).

ACCOUNTANCY COLUMN

Annual report with a difference boosts ethical approach

Andrew Jack looks at an unconventional company which applies 'social' guidelines to its trading strategy

A HIGHLY unusual document has been circulating in the boardrooms of the FT-SE 100 companies in the last few weeks. It is a plea for greater accountability and information; and its source is not a pressure group, but a rival business.

The request comes in the form of a document designed to lead by example; an annual report with a difference called a "social audit". Its aim is to assess the social impact and ethical behaviour of the company in relation to its aims and those of its "stakeholders".

The 20-page glossy brochure provides background on topics such as the breakdown of costs and profits throughout the production process of a sample of products, a description of some of its suppliers, and figures on the composition and salary scales of the workforce.

The source for this information is an extremely unconventional company called Traidcraft. Founded in 1979 in Newcastle upon Tyne, the business imports food, clothing and handicrafts from groups in the Third World. Its aim is to promote "fair trade" by buying at what it considers just prices from suppliers who promote social and economic development in their communities.

Some of its principles have been challenged in the last few years by a deficit which threatened its future. It has changed management and restructured with the aim of being profitable and paying dividends.

However, the new mood has not removed the directors' determination to keep sight of at least some of their radical origins. Traidcraft maintains a policy of offering the highest-paid employee no more than three-times the wage of the lowest. Its objectives of promoting fair trade remain. Its social audit report is a development out of these concerns.

The idea of social auditing is not new. In a booklet* produced earlier this year by the company in conjunction with the New Economics Foundation, an alternative economics think-tank, it lays out the history of the process in the last 20 years. The authors are Richard Evans, Traidcraft's external affairs director, and Simon Zadek from the foundation.

In 1971, there was a social audit of the Upper Clyde Shipbuilders. A number of similar assessments in the UK and US were carried out during the decade by Social Audit, established by the Public Interest Research Centre, largely without the co-operation of managements.

Pressure for greater disclosure by companies developed, with guidelines from the Confederation of British Industry and limited extra disclosure requirements in successive pieces of company law covering political and charitable contributions and employee welfare.

In other countries, there has also been considerable attention paid to social accounting issues beyond the narrow confines of financial performance: companies in the Netherlands, Sweden, Germany, the US and India have produced reports.

But the authors argue that the missing ingredients have been anything systematic, comprehensive and regular. They are often focused around one particular event such as a factory closure, only consider certain products or regions, became rapidly dated, may be superficial, and typically are not independently verified. There is also no framework to help guide disclosures and make them consistent.

Traidcraft's recent efforts certainly try to address these limitations. Its first tentative steps took place last year with a document called "Towards a Social Audit". It profiled two of its suppliers, analysed changes in its product range, made reference to market research into its mail order customers, and described its environmental impact. The full 1992-93 social audit document and process – which cost £20,000 – goes rather further. It considers its ability to maintain growth in sales and continuity of orders to help producers, the proportion of sales derived from the Third World, and shareholder participation.

The picture that emerges is not entirely positive: purchases fell from its profiled region – the Philippines – because of the UK recession, failure to generate sufficient revenues under Traidcraft's minimum target sales and inability by a supplier to deliver a promised product range. It documents concerns by some producers that the company failed to communicate sufficiently.

The report on employees raises some concerns about whether the company should pay a greater wage to those at the lower end of the salary scale, and on the ambivalence of non-Christian staff to the company's policy of only allowing Christians to sit on the board.

On environmental issues, it admits it has generally been unable to trace products to source to judge whether they are produced sustainably.

A three paragraph "auditor's report" written by the New Economics Foundation is not entirely positive. It says: "We are satisfied that the (report) . . . offers an adequate basis for understanding key aspects of the social impact and ethical behaviour of Traidcraft in relation to its aims and those of its main stakeholders for the period in question."

But it goes on to endorse the need to continue to develop the social audit method, apply more specific indicators and targets, focus on the effectiveness of lobbying and education work, give further emphasis to environmental aspects and develop additional forms of social book-keeping to ease the audit.

Traidcraft admits to a number of difficulties. It stresses that the report will evolve in the future, and that only next year can it begin to assess performance. It argues that it is difficult and dangerous to quantify too far, or to add up different numbers to attempt to produce a single overall figure of social profit or loss.

There are, nevertheless, a number of weaknesses in the report. It fails on several occasions to clearly lay out its objectives and then assess them: using a graph which is all but impossible to read to highlight the growth in goods sourced from the Third World, for instance.

The report makes little attempt to justify its choice of assessment criteria or show how they are audited – though much evidence according to the "Auditing the Market" booklet is apparently to be based on discussions with staff – which does not seem appropriate for issues such as how to assess the impact of its educational activities.

It often cites highly anecdotal evidence, such as that there has been a 69 per cent increase in the last year on the time spent visiting producers to work on product design and development. This is interesting but smacks of gathering anything available rather than systematic probing.

It raises the wider question of how far the profiles of suppliers are always likely to be self-justifying. A producer of handicrafts may sound worthy of support because it also sponsors social welfare programmes in the community. But would the money be spent more productively or efficiently given to another local group whose sole concern was these social issues?

In addition, it reflects the inadequacy of any attempts so far to meaningful define "fair trade" in any but very general terms. That will clearly hamper any effects to genuinely assess the company's effectiveness.

More fundamentally, it highlights the fact that even the highly unusual shareholder base is apathetic and happy to let the company do its work. Without active discussion of its objectives, how can Traidcraft effectively debate what its ethical and social priorities should be?

Given the difficulties in yet refining its own methodology, let alone its rather unusual shareholder profile, it is also difficult to see many other companies following Traidcraft's lead in the short-term: welcome though that would certainly be.

**Auditing the Market, by Simon Zadek and Richard Evans. Traidcraft Exchange, Kingsway, Gateshead. NE11 0NE. £2.50*

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Scotiabank

Speculators drive gold price lower

By Kenneth Gooding, Mining Correspondent

GOLD PLUNGED through $370 a troy ounce in late trading yesterday as New York speculators made a concerted effort to drive the price down.

Their efforts triggered more selling orders from investement funds that use computer programmes to limit their losses. The gold price closed in London down $3.75 at $367.50 an ounce.

"This is a very quiet time for the market and there is not much physical demand, so the market is being driven by technical factors – and the technicals look horrible," said Mr Wiktor Bielski, analyst at Bain & Company, part of the Deutsche Bank group.

He suggested that, if gold fell below $360 an ounce, the next level of technical support was $330. On the other hand, the price needed to stay above $380 for a day or two if the present downward trend was to be reversed.

Gold has risen from a seven-year low of $327 an ounce in January to touch $409 in early August, its highest level since the outbreak of the Gulf war in January, 1991.

Mr Bielski said that fundamentally gold was still looking good with jewellery demand still outpacing output from the world's mines. Also, the central bank selling which had bedevilled the market last year, had virtually dried up.

● Palladium's price continued to fall sharply yesterday as the investment funds that helped drive the metal up from $90 an ounce in late-1992 to a four-year peak of $146 in July turned into sellers at a time of seasonally weak physical demand. Palladium was fixed in London at $122.50 an ounce, down about $6.25 from Wednesday.

The metal is used mainly for anti-pollution car catalysts and by the electronics and dental industries. Mr Jeremy Coombes, author of Johnson Matthey's platinum group metals market surveys, said physical supply of palladium was tight and JM still expected a supply deficit this year. He suspected that the Japanese had been hoarding physical metal because "the yen price has been pretty low".

Market price range 'close to equilibrium'

By Kenneth Gooding, Mining Correspondent

A GOLD price range of between $370 and $400 a troy ounce "is probably not far out of line with the prevailing equilibrium price," suggests the Gold Fields Mineral Services consultancy group in a new report on the global gold market.

Although there is a danger the same investment funds that helped to drive up the gold price earlier this year might become sellers instead, GFMS says it is also possible to see a number of developments that would lead to a further upward movement.

These include a return of stronger physical demand as the market moves out of the present time of seasonal weakness and as dealer, fabricator and retail stocks return to normal from high levels built up by the end of the first quarter of 1992.

Also, "the lowering of European interest rates should offer support to the gold price in the medium-term by reducing the opportunity cost of holding gold as well as boosting consumption and possibly inflation in the longer term".

GFMS makes these comments in the first of a new series of interim reports that will update information contained it its annual survey, which isreleased in May each year.

The latest report forecasts that higher prices will cut global gold demand from jewellery makers this year by about 7 per cent from the 1992 level to 2,492 tonnes. This would still be well above global mine production of gold, predicted to rise by 2 per cent to 2,274 tonnes.

The biggest supply/demand component changes forecast by GFMS include an 87 per cent drop to only 20 tonnes in supply from forward sales by producers and a 37 per cent fall in sales by central banks and other official organisations to 368 tonnes.

The recent steep price rise has encouraged more investment in physical gold and GFMS predicts this will rise by 530 per cent to 63 tonnes – still comparatively low given that demand from this source was 213 tonnes in 1990.

Bar hoarding, also feeling the impact of higher prices, is forecast to fall by 29.5 per cent to 203 tonnes.

GFMS suggests that in the short term it will be developments in the gold market itself that will determine the price. If central banks sales and forward sales by producers stay low, there may be further investment interest in the metal. If physical gold sales pick up, this will reassure investors "that the risks of a major down-side correction are low enough and the possibility of longer-term gain high enough to justify continued exposure to gold within diversified portfolios.

"On the other hand, if physical demand remains weak, then, in the absence of external factors such as renewed turmoil on foreign exchanges, additional liquidation of long positions, accompanied by a further period of price weakness, would seem likely."

Gold 1993 – Update 1: £90 (US$150 outside UK) from GFMS, Greencoat House, Francis Street, London SW1P 1DH, UK.

Global Gold Supply and Demand (tonnes)

	1993*	1992	1991		1993*	1992	1991
Supply				Demand			
Mine output	2,274	2,227	2,157	Fabrication			
Net official sales	368	582	149	Jewellery	2,492	2,675	2,298
Old gold scrap	532	453	419	Electronics	173	174	205
Forward sales	20	150	129	Other	283	270	303
Option hedging	90	91	1	Bar hoarding	203	288	251
				Gold loans	70	85	45
Disinvesment			247	Investment	63	10	
Total	3,284	3,503	3,102	Total	3,284	3,503	3,102

*forecast. Source: Gold Fields Mineral Services.

Supply concerns lift coffee prices to fresh peaks

By Richard Mooney

ROBUSTA COFFEE prices renewed their uptrend at the London Commodity Exchange yesterday as trader followed through on Wednesday's late rally.

Although the export retention scheme agreed by both Latin American and African producing countries earlier this month continued to underpin market sentiment, traders thought the latest upsurge, which took prices to the highest levels since the dollar contract was launched in March 1991, was mainly due to technical factors.

Second-position November futures closed $23 up at $1,263 a tonne, after touching $1,273 a tonne at one stage. But the concern about nearby supply tightness that traders said was fuelling the rise was reflected in the fact that the prompt September position was up $36 at $1,308 a tonne.

The second position price has risen by $61 so far this week and is now $444 above the low reached four and a half months ago.

Dealers told the Reuter news agency that there appeared to be fairly limited nearby supplies available and with the uncovered position on the futures market declining only very slowly and remaining above 9,000 lots some of the holders of short positions were getting nervous and looking to take cover.

They said the next upside technical target was in the $1,325 to $1,350 a tonne area for the November position, but some thought the market had become overbought and were looking for a downside correction first.

● Cocoa prices also saw fresh peaks early in the day, but fell back after running into profit-taking.

The rise, which took the December futures position up to a 22-month high of £824 a tonne at one point, was seen by traders as a resumption of the recent technically-based uptrend, which had been interrupted on Wednesday. They said bullish chart patterns coupled with concern about supply tightness and against a background a an expected further drawdown from world stocks was keeping sellers at bay.

But resistance built up as the price moved towards the £830-a-tonne mark and the December price drifted back to close at £810 a tonne, up just £5 on the day.

Wheat council raises world crop estimate by 11m tonnes

By Richard Mooney

THE INTERNATIONAL Wheat Council has raised its forecast for world wheat production in 1993-94 by 11m tonnes from the level it was projecting last month. In the latest issue of its monthly Grain Market Report, published yesterday, it puts the crop at 573m tonnes, which would also be 11m tonnes up from actual output in 1992-93, and second only to the 1990 record of 592m tonnes.

The increase from last months report chiefly reflects higher projections for China (up 5m tonnes at 102m) and the Russian Federation (up 4m tonnes at 47m).

The report cautions, however, that although prospects for Russian grain crops are reported to be generally favourable "some commentators have drawn attention to the possibility of heavy losses during, as well as after, harvesting". Shortages of equipment and fuel are reported to be severe in some regions, it says, and "storage facilities remain inadequate".

Other countries for which estimates have been increased significantly since publication of the July report include the US (up 1m tonnes at 69m), Argentina (up 1.5m tonnes at 10.5m) and Canada (up 1.2m tonnes at 29m). However, the IWC's Canadian forecast is 1.3m tonnes below an estimate published this week by Statistics Canada.

The IWC's forecast for the European Community is reduced from 83.9m to 83m tonnes, which would be 2.2m down from 1992-93.

While overall availability of wheat is expected to more than adequate, the IWC warns that there may me a problem with quality as "unfavourable harvesting conditions have prevailed in many parts of the northern hemisphere". It suggests therefore that demand for good quality wheat may have to be met to some extent out of stocks carried over from earlier crops.

The lower quality wheat from the current crop may, in turn, help to redress the balance in the coarse grains sector as it competes with maize in the livestock feed market. The report puts world course grain production in 1993-94 at 810m tonnes, down just 1m from last month's forecast but 49m tonnes below 1992-93 output.

The fall from last year is almost entirely due to the effect of the Midwest floods on US maize prospects. US coarse grains output is now projected to reach only 222.4m tonnes, down from 229m tonnes in the July report and 277.7m tonnes in 1992-93. But the latest cut in the US estimate has been compensated by increases indicated for the EC (by 1.4m tonnes to 82.1m), Kazakhstan (by 1.2m tonnes to 11.6m), the Russian Federation (by 2.6m tonnes to 53.7m) and Canada (by 1.6m tonnes to 24.1m).

Cut in sugar stocks forecast

By Richard Mooney

WORLD SUGAR stocks are expected to decline next season by another 1.81m tonnes, according to London trader C. Czarnikow's initial forecast for 1993-94.

In its latest Sugar Review, Czarnikow estimates that world production will rise in 1993-94 by 1.34m tonnes to 112.55m, while consumption growth will continue – albeit at a slower rate than in recent years – taking the world total up from 1992-93's 112.22m tonnes to 113.76m. The projected fall in stocks allows for the "disappearance" factor.

"The overall totals might suggest that, with world stocks now returned to a mid-range figure, price movements may prove rather neutral in the coming months," the review says.

"However, there are contrasts in the outlook as some producers seek to recover from weather related problems last season while several of the larger individual countrioes have balances that are moving into deficit.

"Supplies appear to be plentiful over the remaining months of this calendar year," Czarnikow notes, "but there are already signs of localised supply difficulties which are likely to make an impact in the market next year."

The review cites India as a case in point. "Generous stocks were available in 1992-93 to bridge the gap between a sharply lower crop and steadily rising demand," it says. "There was even sufficient to meet some export commitments but, in all, 2m tonnes were needed [from stocks] to assure a balance. With stocks depleted to that extent, there are not the reserves to repeat the exercise."

Czarnikow also reports uncertainty about the situation in China, where government policy has concentrated on encouraging sugar consumption. This, together with sharply higher exports – mainly to Russia – has helped to reduce the internal surplus from the record 1991-92 crop, the review says. Meanwhile, as a delayed reaction develops to the increased use last year of IOUs to pay farmers, the area planted to sugar has slipped back.

● Russia's 1993 sugar beet harvest will be between 24.2m and 26.65m tonnes, little changed from last year's 25.5m, but below the five-year average of 30.2m tonnes, Interfax news agency said, reports Reuter from Moscow.

China tries to avert cotton price war

WITH COTTON prices rising on shortages in key provinces, China is releasing 500,000 tonnes from national reserves in a desperate effort to cool the market and avert a cotton war, reports Reuter from Beijing.

Vice Premier Li Lanqing made the announcement this week at a meeting here to discuss the cotton crisis, the Farmers Daily reported. He said that, with the crop due to fall this year, the extra stocks were being released to stabilise the market and encourage the proper purchase of cotton from farmers – in other words, to stop them from going to the black market.

An agriculture ministry official said it was too early to say by how much the crop will fall. He blamed the drop on unusually severe pests and flooding in production areas.

Cotton, a vital raw material for the textile industry, one of China's biggest export earners, has caused some of the worst headaches for central planners since reforms began in 1978, with wild fluctuations in production.

Output nearly tripled from 2.17m tonnes in 1978 to a record 6.26m in 1984, causing a glut and leaving stocks rotting on the roadside. Output plunged to 3.54m tonnes in 1986.

Then cycle began again, with output rising to 5.68m tonnes in 1991 and falling 20 per cent to 4.53m last year.

Cotton remains one of the few crops still entirely under state control, with farmers supposed to sell only to authorised buyers. But at times of shortage a black market develops.

On Tuesday, the government announced that it was raising the purchase price from Yn300 (£34) a dan (50 kg) to Yn330, with a promise of a further increase next year.

Mr Li told the meeting that cotton should in the end become a free market commodity but the moment was not yet ripe, so the government had to increase its control over the crop.

"We need to set up a national warehousing system specially for cotton, similar to what we have for grain," he said.

Reports from the provinces, in official newspapers, indicate that the government may have moved too late.

In Hebei, an important producer, the shortage this year will be 100,000 tonnes and in Shandong it will be 50,000 tonnes short. Prices have already started to rise, the newspapers said.

Small New York Exchanges to merge

By Laurie Morse

THE NEW York Stock Exchange is about to spin off its tiny 14-year-old futures arm, the New York Futures Exchange, to the New York Cotton Exchange, according to sources close to the talks in New York.

The two exchanges share trading floors in New York's World Trade Centre.

The deal, which could be completed as early as September 2, would be small in comparison to the merger plan under way between two other New York futures exchanges, the New York Mercantile, and the Commodity Exchange (Comex).

However, the Nyfe could prove a useful addition to the 100-year-old cotton exchange. The cotton exchange trades futures and options contracts in cotton and frozen concentrated orange juice and, through its subsidiary, the Financial Instruments Exchanges, it offers dollar index futures, futures on European currency units, and a treasury note contract.

The Nyfe is best-known for its futures on the Commodity Research Bureau index. It 500 members also trade futures on the New York Stock Exchange Composite Index. As stepchild of the giant stock exchange, the Nyfe never fully developed as a futures exchange. Its memberships trade for $100. Seats at the Cotton Exchange, in contrast, sell for about $40,000.

WORLD COMMODITIES PRICES

MARKET REPORT

London Metal Exchange traders said **COPPER** was yesterday struggling to hold the $1,950-a-tonne level for September delivery, after recently threatening to bring September $2,000 buying options into the money. A burst of commission house buying took the three months position up from $1,910 to $1,929 a tonne but with the New York market sluggish and the cash/three months premium easing to around $30, the buying dried-up and the price ended the afternoon kerb at $1,917 a tonne, down $16 on the day. **ALUMINIUM** found buying interest around the $1,160 a tonne level which underpinned a later rise to $1,168, up $6 a tonne from Tuesday. **ZINC** also benefited from buyers tempted by the recent dip to almost $880 and three months rallied to $887, down $2. Hedge selling, liquidation and stop-loss selling pushed **TIN** and **NICKEL** to 20-year and six-year lows of $4,720 and $4,535 respectively against their background of ample availability of refined supplies. The **LEAD** market was quiet and traded narrowly before ending at $396.50 a tonne in the three months position, unchanged on the day.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Oct)		+ or -
Dubai	$14.69-4.86u	-.025
Brent Blend (dated)	$16.46-6.51	-.185
Brent Blend (Oct)	$17.02-7.04	+0.03
W.T.I (1 pm est)	$18.26-8.29u	-.045
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$192-194	
Gas Oil	$162-163	-1
Heavy Fuel Oil	$61-62	-0.5
Naphtha	$159-161	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$367.50	-3.75
Silver (per troy oz)♣	466.00c	-3.50
Platinum (per troy oz)	$383.75	-2.75
Palladium (per troy oz)	$122.55	-6.25
Copper (US Producer)	91.00c	-0.5
Lead (US Producer)	34.63c	
Tin (Kuala Lumpur market)	12.03m	-0.17
Tin (New York)	222.0c	
Zinc (US Prime Western)	Unq	
Cattle (live weight)†	130.84p	-2.32*
Sheep (live weight)†♠	83.08p	-5.36*
Pigs (live weight)†	69.51p	-2.88*
London daily sugar (raw)	$238.3	-4.2
London daily sugar (white)	$294.0	-1.6
Tate and Lyle export price	£270.0	-2.0
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£169.5	
Wheat (US Dark Northern)	£147.0	
Rubber (Oct)▼	59.25p	-0.25
Rubber (Nov)▼	60.50p	-0.25
Rubber (KL RSS No 1 Jul)	211.5m	
Coconut oil (Philippines)§	$450.0v	-2.5
Palm Oil (Malaysian)§	$360.0u	-2.5
Copra (Philippines)§	$269.0	
Soyabeans (US)	£198.5	
Cotton "A" index	56.05c	+1.0
Wooltops (64s Super)	330p	-2

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Aug/Sep v-Sep/Oct u-Oct t-Oct/Dec v-Aug/Sep ▼London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♠Sheep prices are now live weight prices * change from a week ago, provisional prices.

SUGAR – LCE ($ per tonne)

White	Latest	Previous	High/Low
Oct	265.50	262.30	266.50 259.50
Dec	253.40	257.60	257.00 253.40
Mar	262.00	258.90	262.00 255.60
May	259.40	261.40	259.40 259.00
Aug	265.00	266.90	266.00 265.00

White 1189 (889) Paris- White (FFr per tonne): Oct 1533.95 Dec 1502.98

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Oct	17.03	17.04	17.07 16.95
Nov	17.22	17.22	17.26 17.14
Dec	17.38	17.38	17.42 17.29
Jan	17.54	17.51	17.54 17.43
Feb	17.60	17.65	17.62 17.56
Mar	17.67	17.70	17.69 17.67
IPE Index	17.14	17.25	

Turnover 16619 (21738)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Sep	161.25	162.00	162.50 161.00
Oct	164.25	165.00	165.25 163.75
Nov	166.50	167.25	167.25 166.00
Dec	168.50	169.25	169.25 168.25
Jan	170.25	170.50	170.25 169.50
Feb	169.75	170.25	169.75 169.50
Mar	167.50	168.00	167.50
Jun	164.25	165.00	164.25

Turnover 10907 (8888) lots of 100 tonnes

FRUIT & VEGETABLES
English Victoria plums are this week's best fruit buy at 40-55p a lb (60-75p). Apples are also good value, with the English Discovery available for 30-40p a lb (30-40p) and French Golden Delicious at 35-45p a lb (35-45p). English cauliflowers are plentiful, and terrific value at 35-50p each, depending on size (35-50p). Green vegetables remain a very good buy, with English Summer cabbage at 25-30p a lb (25-30p). This week's best salad buy is English celery, at 25-50p a head (30-50p). English and Dutch tomatoes remain excellent value at 30-50p a lb (30-50p). NB Last week's prices shown in brackets.

COCOA – LCE £/tonne

	Close	Previous	High/Low
Sep	780	771	790 780
Dec	810	805	824 809
Mar	831	827	845 830
May	842	837	855 840
Jul	852	847	864 851
Sep	861	857	875 860
Dec	874	872	889 872
Mar	886	885	894 885
May	896	895	900 900
Jul	909		912

Turnover: 7945 (14389) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Aug 25 810.82 (827.56) 10 day average for Aug 26 787.87 (780.55)

COFFEE – LCE $/tonne

	Close	Previous	High/Low
Sep	1308	1272	1316 1291
Nov	1262	1240	1273 1256
Jan	1229	1203	1238 1221
Mar	1209	1185	1217 1205
May	1205	1179	1209 1200

Turnover: 5525 (5130) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Aug 25 Comp. daily 69.94 (69.53) 15 day average 66.98 (66.81)

POTATOES – LCE £/tonne

	Close	Previous	High/Low
Apr	77.4	75.7	77.0 76.0
May	89.8	88.3	88.0

Turnover 39 (108) lots of 20 tonnes.

SOYAMEAL – LCE £/tonne

	Close	Previous	High/Low
Oct	-	-	

Turnover 0 (0) lots of 20 tonnes.

FREIGHT – LCE $10/index point

	Close	Previous	High/Low
Sep	1410	1438	1440 1410
Oct	1450	1468	1460 1450
Nov	1462	1470	1465 1460
Jan	1480	1488	1480
Apr	1500	1513	1500
BFI	1444	1452	1444

Turnover 131 (81)

GRAINS – LCE £/tonne

Wheat	Close	Previous	High/Low
Sep	103.00	103.20	103.00 102.45
Nov	104.30	104.50	104.35 103.75
Jan	106.20	106.50	106.25 106.00
Mar	108.10	108.45	108.00 107.65
May	110.45	110.90	110.65 110.00
Barley	**Close**	**Previous**	**High/Low**
Nov	102.45	102.25	102.45 101.75
Jan	104.75		104.25 104.25
Mar	106.55	106.30	106.35 106.00

Turnover: Wheat 378 (583) Barley 25 (25).
Turnover lots of 100 Tonnes.

PIGS – LCE (Cash Settlement) p/kg

	Close	Previous	High/Low
Sep	98.5	97.0	

Turnover:0 (0)lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 37870 lots
Cash	1143-4	1139-40	1140	1140-0.5		
3 months	1164-5	1161-2	1168/1158	1160.5-1.0	1167-68	247,048 lots
Copper, Grade A ($ per tonne)						Total daily turnover 49,447 lots
Cash	1947-8	1969-71	1959/1956	1958.5-9.0		
3 months	1919-20	1937-8	1929/1910	1927.5-8.0	1916-17	187,925 lots
Lead ($ per tonne)						Total daily turnover 3,221 lots
Cash	383-4	381.5-2.5	383.5	383.5-4.0		
3 months	396.5-7.0	395.5-6.0	397/396	396-6.5	396-97	24,657 lots
Nickel ($ per tonne)						Total daily turnover 13,471lots
Cash	4500-5	4620-30		4520-5		
3 months	4550-5	4670-80	4635/4540	4571-5	4540-50	45,401 lots
Tin ($ per tonne)						Total daily turnover 3,729 lots
Cash	4677-83	4760-5		4684-5		
3 months	4725-30	4815-20	4805/4720	4720-1	4730-35	11,003 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 23,115 lots
Cash	869.5-70.5	874.5-5.5	868	867.5-8.5		
3 months	883-4	888-9	888/881	882-3	887-88	79,551 lots

LME Closing £/$ rate: SPOT: 1.5105 3 months: 1.5011 6 months: 1.4948 9 months: 1.4888

Copper and lead prices are now expressed in dollars per tonne

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	367.00-368.00	
Opening	371.80-372.00	
Morning fix	371.60	250.050
Afternoon fix	371.25	248.827
Day's high	372.00-372.40	
Day's low	365.00-366.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.84	6 months	2.56
2 months	2.59	12 months	2.58
3 months	2.58		

Silver fix	p/troy oz	US cts equiv
Spot	317.35	472.60
3 months	321.75	475.85
6 months	326.00	479.89
12 months	334.65	488.55

GOLD COINS

	$ price	£ equivalent
Krugerrand	371.50-374.50	250.00-253.00
Maple leaf	377.10-379.60	-
New Sovereign	88.00-91.00	59.00-62.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Oct	Jan	Oct	Jan
1175	14	42	33	38
1200	7	31	51	52
1225	3	22	72	68
Copper (Grade A)	**Calls**		**Puts**	
1900	57	81	28	67
1950	32	58	53	94
2000	16	41	88	125
Coffee	**Nov**	**Jan**	**Nov**	**Jan**
1150	137	135	25	56
1200	111	107	49	78
1250	76	84	64	105
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
725	98	128	11	20
750	76	108	16	27
775	58	91	24	35
Brent Crude	**Oct**	**Nov**	**Oct**	**Nov**
1650	56		9	25
1700	26	60	25	42
1750	7	37	53	

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Aug	368.0	372.5	371.0	364.5
Sep	368.2	372.8	367.3	367.3
Oct	369.0	373.7	372.4	366.0
Dec	370.8	375.5	374.6	367.0
Feb	372.5	377.2	375.9	370.5
Apr	374.1	378.9	373.3	372.8
Jun	375.7	380.6	379.3	379.2
Aug	377.4	382.3	0	0
Oct	379.2	384.1	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Aug	387.3	387.3	0	0
Oct	381.4	387.9	387.0	378.5
Jan	381.9	388.6	387.0	379.0
Apr	382.7	389.4	386.0	381.5
Jul	383.6	390.3	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Aug	467.3	473.3	0	0
Sep	467.3	473.5	473.0	461.0
Oct	468.5	474.7	468.0	466.0
Dec	471.7	478.0	478.0	466.0
Jan	472.1	478.4	472.0	472.0
Mar	476.3	482.7	481.5	470.0
May	479.5	486.0	483.0	479.0
Jul	482.5	489.1	487.0	482.0
Sep	485.8	492.5	488.0	484.5
Dec	491.0	497.8	496.0	485.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	84.90	85.45	85.00	84.60
Sep	84.90	85.05	85.60	84.70
Oct	84.95	85.15	85.50	85.30
Nov	84.96	85.20	85.40	85.40
Dec	84.95	85.25	85.65	84.75
Jan	85.05	85.35	85.50	85.50
Feb	85.15	85.45	85.60	85.60
Mar	85.25	85.55	85.65	85.20
Apr	85.35	85.65	85.80	85.60
May	85.35	85.70	85.90	85.90

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Oct	18.21	18.32	18.36	18.17
Nov	18.50	18.61	18.62	18.47
Dec	18.69	18.80	18.77	18.68
Jan	18.86	18.93	18.90	18.83
Feb	18.94	19.04	18.99	18.98
Mar	19.15	19.15	19.11	19.05
Apr	19.12	19.22	19.12	19.12
May	19.19	19.29	19.19	19.16
Jun	19.24	19.36	19.24	19.24
Jul	19.33	19.43	19.33	19.33

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Sep	52.45	52.51	52.60	52.00
Oct	53.45	53.56	53.65	53.10
Nov	54.45	54.51	54.60	54.15
Dec	55.45	55.48	55.60	55.15
Jan	56.10	56.08	56.15	55.75
Feb	56.25	56.26	56.35	56.05
Mar	55.45	55.43	55.35	55.25
Apr	54.30	54.28	54.30	54.30
May	53.60	53.48	53.50	53.60
Jun	53.40	53.03	0	0

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	1008	1008	1015	1005
Dec	1067	1059	1075	1044
Mar	1105	1093	1107	1081
May	1120	1113	1121	1107
Jul	1140	1133	1143	1133
Sep	1161	1154	1163	1154
Dec	1189	1182	1191	1182
Mar	1212	1205	0	0
May	1232	1225	1225	1225
Jul	1251	0	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	75.50	76.50	77.00	75.50
Dec	78.25	79.05	79.90	77.80
Mar	80.40	81.30	81.75	80.00
May	82.00	82.30	82.90	81.25
Jul	82.90	83.60	84.20	83.25
Sep	84.25	85.20	85.95	85.95
Dec	88.00	88.65	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	9.32	9.17	9.39	8.86
Mar	9.52	9.43	9.60	9.28
May	9.65	9.60	9.74	9.48
Jul	9.70	9.64	9.78	9.56
Oct	9.73	9.67	9.85	9.58

COTTON 50,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	56.47	57.09	57.30	56.40
Dec	57.80	58.17	58.32	57.75
Mar	59.15	59.70	59.50	59.05
May	60.10	60.35	60.35	59.90
Jul	60.60	61.22	61.00	60.60
Oct	60.30	60.50	0	0
Dec	60.30	60.50	60.40	60.10

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	123.65	123.00	123.95	122.00
Nov	126.95	126.10	127.15	125.10
Jan	127.95	127.45	128.80	126.70
Mar	129.05	128.45	129.80	128.05
May	130.55	129.95	130.50	130.00
Jul	130.55	129.85	130.00	129.25
Sep	130.55	129.30	129.25	129.10
Nov	130.55	129.90	129.20	129.20
Jan	130.55	129.30	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)

Aug.26	Aug.25	mnth ago	yr ago
1630.2	1629.1	1644.3	1517.3

DOW JONES (Base: Dec. 31 1974 = 100)

	Aug.25	Aug.24	mnth ago	yr ago
Spot	122.98	122.78	124.15	116.26
Futures	126.70	125.76	129.93	115.56

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Sep	660/6	670/0	674/0	660/4
Nov	662/0	671/0	675/4	661/0
Jan	668/2	677/0	681/4	667/4
Mar	673/0	682/0	685/4	672/4
May	675/0	682/6	687/0	674/4
Jul	678/4	684/6	688/0	676/0
Aug	672/0	678/6	682/0	672/0
Sep	646/0	649/0	652/0	645/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Sep	23.26	23.46	23.68	23.25
Oct	23.41	23.60	23.82	23.40
Dec	23.59	23.84	24.08	23.58
Jan	23.70	23.93	24.15	23.70
Mar	23.88	24.07	24.25	23.88
May	23.89	24.11	24.25	23.86
Jul	23.88	24.11	24.25	23.88
Aug	23.74	23.95	23.75	23.73

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Sep	211.6	213.9	214.7	211.3
Oct	209.6	212.4	212.9	209.4
Dec	209.6	212.6	213.1	208.3
Jan	209.4	212.6	213.0	209.3
Mar	210.2	212.7	213.3	209.7
May	210.2	212.5	213.3	210.0
Jul	210.7	212.9	213.2	210.6
Aug	208.8	210.3	209.0	208.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	233/0	236/6	237/0	232/2
Dec	239/0	243/6	244/0	238/2
Mar	247/6	251/6	252/0	247/0
May	252/6	256/4	257/0	252/0
Jul	255/4	259/4	260/0	255/2
Sep	249/0	251/0	251/6	249/0
Dec	243/2	243/2	244/2	241/2

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	299/6	305/2	304/6	298/0
Dec	309/0	313/0	313/0	307/0
Mar	313/4	316/2	316/0	311/4
May	309/2	312/0	311/0	308/0
Jul	300/2	300/4	301/4	299/0
Sep	305/0	304/4	305/0	304/4
Dec	311/0	310/4	311/0	310/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	73.525	73.750	73.850	73.425
Dec	74.175	74.675	74.725	74.025
Feb	74.850	75.300	75.325	74.750
Apr	76.050	76.400	76.375	75.900
Jun	72.825	73.225	73.175	72.800
Aug	71.675	72.100	72.125	71.625
Oct	72.100	72.300	72.700	72.100

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	47.025	46.975	47.125	46.225
Dec	46.425	45.875	46.550	46.100
Feb	45.425	45.325	45.600	45.250
Apr	44.100	43.975	44.325	44.000
Jun	48.800	49.050	49.100	48.550
Jul	47.850	48.050	48.050	47.400
Aug	46.500	46.800	46.900	46.400

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	50.775	48.775	50.775	49.650
Mar	50.375	48.375	50.375	49.250
May	51.400	49.400	51.400	50.000
Jul	51.900	50.400	52.000	50.000
Aug	51.600	49.700	51.600	50.000

London shrugs off Bundesbank news

By Terry Byland
UK Stock Market Editor

THE LONDON stock market benefited yesterday from its unwillingness to believe the rumours that key interest rates would be cut in Germany. Share prices fell sharply at first as optimism faded ahead of the Bundesbank's decision to leave rates unchanged, but professional marketmakers were only too happy to buy stock. The early fall of 20.6 on the FT-SE Index was recaptured later and by the close the Index had regained its all-time closing peak of 3,079.2 to show no change on the the session.

The US buyers who pushed the Footsie to its latest peak on Wednesday, when the day's retail value soared to a 1993 peak of £2.3bn, were content to leave the UK market to its own devices yesterday. However, Goldman Sachs, the US investment bank, having already discounted suggestions of an immediate cut in German discount rate, reiterated the optimistic view of the UK market from the other side of the Atlantic.

Goldman, rejecting widespread fears that global stock markets are overheated, maintained that the "most likely" scenario is for global equities to be the best-performing financial asset over the next 6 – 12 months.

At Panmure Gordon, Mr Robin Aspinall commented that; "a wall of US money" is driving UK equities ahead. Optimism is also high on the domestic front, where Mr Michael Hicks of Strauss Turnbull said that UK markets evidently believe that "low inflation is here to stay".

The recovery in UK stocks was boosted from the stock index futures sector where the September contract on the Footsie moved above the 3,100 mark after the close of official trading. However, a sizeable trading programme in the equity market yesterday morning appeared to reflect genuine portfolio investment rather than futures-hedging.

The fall in the US dollar after the Bundesbank's decision took the heart out of the international stocks, although selling pressure was light. However, the oil stocks, which have headed the US move into the UK market this week, found buyers again after Wall Street opened.

Interest rate-orientated stocks, which were the most closely-linked to the hints of a rate cut in Germany, held up well. Among the retail issues, Marks & Spencer, the high street jewel, closed firmly.

Banking stocks, which are expected to benefit strongly from early cuts in interest rates because these would ease the pressures on loan books from difficult, or underperforming loans, also recouped early falls. The sector was boosted by hints that a large cross-border takeover move was in the offing.

Overall, the UK market closed last night nearly 1 per cent higher than on Friday, when the hopes for a cut in Bundesbank discount rate first began to circulate in global markets. London remains convinced that interest rates are on the way down throughout Europe, that UK rates will be trimmed this autumn and that hopes of economic recovery will continue to bring overseas investors to the UK stock market.

However, there are still worries for the near term over the high ratings now standing on UK equities. S.G. Warburg remains relatively cautious and other London securities firms appear reluctant to increase year-end forecasts.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ASDA Group†	6,500	65½	-1
Abbey National†	1,800	404	+1
Albert Fisher	509	77	-1
Allied-Lyons†	4,100	628	+8
Anglian Water†	682	527	-2
Argos	449	340	
Argyll Group†	2,600	341	-4
Arjo Wiggins†	919	204	
Assoc. Brit. Foods†	398	517½	-8½
Assc. Brit. Ports	369	467	-1
BAA†	3,000	799	+1
BAT Inds.†	4,300	475½	-3½
BET	3,900	139	+4½
BICC	1,400	408	+6
BOC†	1,900	648	-1
BP†	9,800	321	+3½
BPB Inds.	1,100	247	-4
BT†	4,800	423½	-1½
BT (P/Paid)	10,000	182½	-½
BTR†	4,200	385½	-1
Bank of Scotland†	3,500	170	+½
Barclays†	2,600	514	-1
Bass†	2,000	511	-11
Blue Circle†	2,900	257	-1
Booker	33	495	-1
Boots†	2,200	488	+2
Bowater†	1,300	510	+2
Brit. Aerospace†	1,200	447	+3
British Airways†	2,400	353	+½
British Gas†	4,800	329	-4½
British Land	696	378	+5
British Steel†	4,100	113	-1
Bunzl	1,200	146	+4
Burmah Castrol†	184	772	-10
Burton	5,600	77½	+½
Cable & Wire.†	1,500	639	-3
Cadbury Schweppes†	1,000	478	-5
Calor Group	292	274	+9
Carlton Comms.†	712	801	
Coats Viyella†	727	249	+1
Comm. Union†	2,800	612	-3
Cookson	2,600	229	
Courtaulds†	2,800	559	-5
Dalgety	1,100	515	-3
De La Rue†	211	704	-5
Dixons	736	233	-2
Eastern Elect.	740	528	-1
East Midland Elect.	450	512	-½
Eng China Clays	1,500	459	+3
Enterprise Oil†	1,100	451	+3
Eurotunnel Units	69	488	
FKI	772	152	
Fisons	914	179	-3
Foreign & Col. I.T.	405	252	
Forte†	1,100	232	+1
Gen. Accident†	964	660	+2
General Elect.†	1,700	354	+1
Glaxo†	3,300	573	-10
Glynwed Intl.	210	314	+3
Granada†	1,800	436	-2
Grand Met.†	2,300	458	-8
GUS A†	220	2050	+7
GRE†	5,800	213	-1
GKN	622	498	-2
Guinness†	1,800	514	-4
HSBC (75p shs)†	2,500	730	+13½
Hammerson 'A'	1,000	361	-8
Hanson†	6,700	258½	
Harrisons Crosfield	1,400	189	-3
Hillsdown	3,800	188	-1
IMI	1,000	299	-1
ICI†	1,400	695	
Inchcape†	682	572	+5
Johnson Matthey	141	482	
Kingfisher†	2,100	665	-4
Kwik Save	834	752	+1
Ladbroke†	3,700	202	-3
Land Securities†	1,800	673	
Laporte	386	637	-1
Legal & General†	1,300	483	-6
Lloyds Abbey	1,500	428	-2
Lloyds Bank†	1,300	560	+2
LASMO	2,800	146	+1
London Elect.	382	535	+4
Lonrho	1,800	131	
Lucas	2,000	185	+1
MB Caradon†	2,100	336	
MEPC	833	488	-5
MFI	1,200	144	+2
Manweb	91	578	+1
Marks & Spencer†	4,600	373	+8
Midlands Elect.	308	568	+3
Morrison (Wm.)	171	148	-4
NFC†	453	288½	+1½
NatWest Bank†	3,100	495	
National Power†	1,900	385	+½
Next	1,000	209	+1
North West Water†	822	515	-5
Northern Elect.	38	577	+4
Northern Foods†	2,800	288	+4
Norweb	151	569	-2
Pearson†	1,800	489	+6
P & O†	671	631	-6
Pilkington	2,600	158	-2
PowerGen†	3,300	393	+½
Prudential†	2,100	336	-1
RMC†	427	783	-5
RTZ†	1,300	724	+12
Racal	375	258	-1
Rank Org.†	1,200	777	+3
Reckitt & Colman†	428	616	-2
Redland†	997	543	-8
Reed Intl.†	282	716	
Rentokil†	3,300	218½	+8½
Reuters†	857	1524	+8
Rolls Royce	3,700	158½	-1
Rothmans†	1,100	704	+4
Ryl Bk Scotland†	3,200	287	-2
Royal Insurance†	3,700	319	
Saatchi	348	184	
Sainsbury†	2,100	507	+3
Scottish & New.†	3,100	482	+6
Scot. Hydro-Elect.†	439	378	+4½
Scottish Power†	2,300	361	+5½
Sears†	4,200	111	-1
Sedgwick	1,201	194	
Seeboard	684	582	+8
Severn Trent Water†	1,600	541	
Shell Transport†	2,800	674	+2½
Siebe†	1,600	527	-10
Slough Ests	2,100	241	-1
Smith (W.H.) A	2,200	468	-3
Smith & Nephew†	1,700	148	
SmKl Beecham†	3,300	449	+2
SmKl Beecham Uts.†	1,400	389	+3
Smiths Inds.	1,600	385	+5
Southern Elect.	126	538	+3
South Wales Elect.	140	595	
South West Water	272	557	
South West. Elect.	177	560	+3
Southern Water	870	566	-2
Standard Chartd.†	1,000	932	-6
Storehouse	1,900	223	-1
Sun Alliance†	1,400	386	+4
T&N	614	213	
TI Group†	1,000	389	+4
TSB†	2,800	200	-3
Tarmac	4,400	155	-1
Tate & Lyle†	690	394	+1
Taylor Woodrow	419	132	-3
Tesco†	5,000	230	+4
Thames Water†	1,000	539	-3
Thorn EMI†	793	998	+4
Tomkins†	5,900	243	+4
Trafalgar House	2,200	110½	
Unigate	44	390	+1
Unilever†	845	1073	-5
United Biscuits†	836	382	+1
Utd. Newspapers	238	673	-1
Vodafone†	3,600	577½	+7½
Warburg (SG)†	309	804	+3
Wellcome†	1,000	743	-13
Welsh Water	738	621	+2
Wessex Water	151	605	+3
Whitbread 'A'†	1,100	535	
Williams Hldgs.†	1,400	345	
Willis Corroon	2,000	236	
Wimpey	662	184	
Wolseley†	851	664	
Yorkshire Elect.	70	564	+3
Yorkshire Water	706	553	+1
Zeneca†	2,300	709	-3

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 index constituent.

Account Dealing Dates

*First Dealings:	Aug 16	Sep 6	Sep 20
Option Declarations:	Sep 2	Sep 16	Sep 30
Last Dealings:	Sep 3	Sep 17	Oct 1
Account Day:	Sep 13	Sep 27	Oct 11

*New time dealings may take place from two business days earlier.

Bought deal in ACT

COMPUTER software and services group ACT was the most heavily traded stock in the market after Singer & Friedlander, the merchant bank, sold its 10.3 per cent stake in the company, via a bought deal.

The stake, some 19.1m, was sold by Singer & Friedlander to Credit Lyonnais Laing, the stockbroker, at 161½p and subsequently placed with a number of institutions at 163p a share. The placing was oversubscribed, according to dealers.

ACT shares fell to 172p as the market picked up the scent of a large placing, but quickly stabilised and then rallied to end the day unaltered at 176p. Turnover reached 39.5m shares.

Allied bid talk

Bid rumours surrounding Allied-Lyons found some voice again on the market and saw the price move up 8 to 628p in a reasonable turnover of 4.1m shares.

While many analysts felt there was more speculation than substance in the rumour, Allied is enjoying positive sentiment at present and consensus grows that the stock is cheap and worthy of investment. Smith New Court issued a buy note, saying the shares had emerging value and looked a good bet for long-term growth.

One broker was urging caution on the larger brewing stocks, citing one cause for concern as possible tax increases in the November Budget.

M & S advance

A mixed performance in stores stocks saw shares in Kingfisher battle and Marks and Spencer gather plaudits. Kingfisher lost 4 at 665p after fighting back from a day's low of 660p. Some market-watchers blamed fall-out from recurring DIY fears after Do It All's recent reported performance but others saw the stock embarking on a rocky rebalancing act at the end of a good run. Interest rate disappointment in Europe, especially concerning Kingfisher's French interests, cannot have helped the stock.

Marks and Spencer proved favourite of the sector, reportedly attracting significant US interest in a turnover of 4.6m. The shares finished ahead 8 at 373p. One analyst said the squeeze in Marks' shares added to their strength. Another put some of their performance down to the fact that the stock often acts as a proxy for the sector and if investors want to increase their exposure to stores then Marks and Spencer is often the recipient of their money.

The oil majors were again among the FT-SE 100's best performers, with the recent upsurge of interest in the oil sector again bering focussed on the two biggest of the oil stocks, BP and Shell.

Dealers said US institutions returned in force to buy the two stocks, despite the early uncertainty displayed by Wall Street. Goldman Sachs was said to have been among the most aggressive buyers of the oils, which were additionally boosted by an acute stock shortage.

UK oil analysts said the main thrust of the US buying argument for the UK oil stocks was that they look cheap on a cash flow basis compared with their US counterparts.

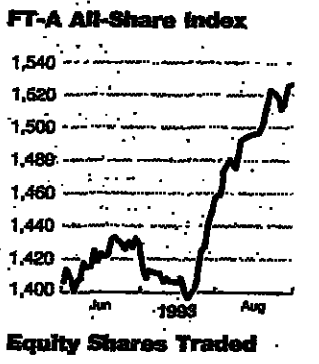
BP moved up 3½ more to 321p, on continuing heavy turnover of 9.8m shares. BP have risen from 298p since the start of the week. Shell put on 2½ to 674p on 2.9m with oil specialists noting large scale switching into Shell from Royal Dutch, citing the yield argument.

Enterprise Oil continued to move ahead, the shares adding 3 more to 451p. Lasmo came under pressure at the outset, slipping to 142p in the wake of some determined profit-taking, but began to edge higher later in the session, eventually closing a net penny higher at 146p. Turnover in the stock was 2.8m, well down on recent levels.

Calor Group, a strong market all week following a buy note issued by Hoare Govett, added 9 more to 274p, the highest since June 1990. Hardy Oil jumped 7 to 171p still boosted by recent broker visits and buy recommendations.

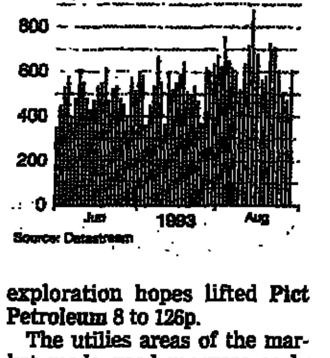
Among the second-liners exploration hopes lifted Pict Petroleum 8 to 126p.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Source: Datastream

The utilies areas of the market made good progress early in the session with institutions said to have chased the regional electricity stocks, generators and waters higher amid hopes that any early cuts in European interest rates would continue to focus investors' minds on the high yields available in those areas.

The absence of a cut in German rates, however, was the trigger for a widespread bout of profit-taking and selling in the utilities which generally closed with losses on the day.

Severn Trent was one of the water sector's most prominent performers early in the session, the shares moving up to 553p at one point after a strong buy recommendation issued by Credit Lyonnais Laing, the stockbroker. CLL's Robert Giles said "the high quality of the underlying businesses and robust financial position make Severn Trent the best value of the major water stocks."

Severn Trent shares dipped off with the rest of the market and closed unaltered at 541p after good turnover of 1.5m. The other water stocks in the FT-SE 100 closed down on the day with Thames 3 off at 539p, North West 5 lower at 515p and Anglian 2 easier at 527p.

The leading drug stocks were among the market's laggards, suffering from sustained selling pressure on both sides of the Atlantic after their recent strong gains.

Glaxo, heavily traded in both the stock market and the traded options market, fell 10 to 573p with turnover of 3.3m accompanied by the equivalent of 3.3m traded in the options.

The shortage of stock in Smiths Industries continued and the shares advanced another 5 to 385p. Babcock International was strongly traded. Volume rose to a hefty 14m. The day's total included a block of 4.5m done at 44p, and another of 5.3m at 43½p. The shares closed ½ lighter at 45p.

One of the day's biggest falls was recorded in Glasgow based pumps and valves manufacturer Weir Group, which disappointed the market with a 10 per cent decline in interim figures. Profits fell to £16.8m against £18.4m a year earlier. The shares declined by 9 per cent, falling 30 to 318p, as brokers reduced full year forecasts by about £4m to around £39m.

The availability of stock together with general profit taking, once again exacted a toll on engineering group Siebe. The shares eased 10 to 527p. General investment support was seen for Westland Group, and the shares closed 6 better at 236p.

Business services company Rentokil Group pleased the market when it reported figures above analysts' expectations. The shares gained 9 to 219p, in trade of 3.3m.

Profit downgrades at US rival Philip Morris were said to have been responsible for the weakness in tobacco to insurance group BAT. The shares eased 4 to 475p.

A broker's visit to Rank Organisation's Haven Warner operations on the South coast of England on Wednesday, cheered analysts, boosting the shares yesterday. They hardened 3 to 777p.

The departure of Owners Abroad managing director Mr Roger Allard saw the share price climb 4 to 84p in hefty turnover of 5.5m.

But one analyst said the market was finding it hard to make predictions for Owners. Mr Hamish Dickson of Hoare Govett said: "We've suspended our forecasts for the time being. We feel so much in the dark."

Ladbroke felt the force of pre-interims nerves with its price losing 3 to 202p.

US buying interest was said to have continued in Vodafone Group which boosted the shares 8 to 578p.

A squeeze was reported in Transfer Technology where the shares jumped 19 to 489p. Kleinwort Benson recommended the stock earlier in the week.

HSBC jumped 13½ to 730p following a shapr rise in the Hong Kong market.

There were no surprises in interim results from Guardian Royal Exchange whose shares settled mamrginally easier at 213p.

MARKET REPORTERS:
Steve Thompson,
Joel Kibazo,
Christine Buckley.

■ Other statistics, Page 18

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (261).

BRITISH FUNDS (2) Tr. 4¾pc L '98, Tr. 2pc IL '06, AMERICANS (7) BANKS (2) ANZ, Barclays, BREWERS (3) Devenish, Matthew Clark, Whitbread, BLDG MATLS (2) CRH, Pilkington Wts., BUSINESS SERVS (6) Bridgend, Capita, Hogg Robinson, Page, Serco, CHEMS (2) Croda, Halstead, CONGLOMERATES (6) Brierley, Daimler-Benz, Goode Durrant, Grampian, Ropner, CONTG & CONSTRCN (5) Bellway, Laing J.O. Do 6.4pc Pf., Smart, Vibroplant, ELECTRICALS (8) Arlen, Critchley, Denmans, Dewhurst, Kenwood, Pifco, Do A, Scholes, ELECTRICITY (5) Midlands, Northern Ire., Scot. Power, Seeboard, Sth. Western, ELECTRONICS (7) Assoc. Druck, Pegasus, Process Syst., Telemetrix, Tomkal, Unitech, ENG AERO (1) Westland, ENG GEN (9) Clyde Blowers, Dyson, EIS, Hagen MacLellan, Molins, Protean, Senior Eng., TI, Wilkes, FOOD MANUF (4) Assoc. Fisheries, Dalgety, Linton Park, Matthews, FOOD RETAILING (1) Shoprite, HEALTH & HSEHOLD (3) IWP, Nestor-BNA, Zeneca, HOTELS & LEIS (4) Jurys, Pelican, Ramsden's, Thorn EMI, INSCE BROKERS (1) Archer, INSCE COMPOSITE (3) FAI, GRE, Travelers, INV TRUSTS (95) MEDIA (12) Abbott Mead Vickers, Argo, 9¾pc Pf., Capital Radio, Elsevier, Flextech, Johnston Press, MAI, Do Wts., News Corp., Telegraph, Trinity, WPP, MERCHANT BANKS (1) Singer & Friedlander, MTL & MTL FORMING (1) Meggitt, MISC (4) Beckenham, Erkley, Essebird Toys, Ralyon, MOTORS (6) ABI, BBA 6¾pc Pf., Eastbley, Boctrom, Evans Halshaw, Gestings, Mayflower, Motor World, Yardy, OIL & GAS (6) Cabot, Chevron, Hardy, Mobil, Royal Dutch, Santos, Shell, Do 7pc Pf., OTHER FINCL (6) Aberdeen Tst., Caledonia, Cattle's, Perpetual, Rutland, Secure, OTHER INDLS (2) Charter, McKechnie, PACKG, PAPER & PRINTG (7) Bunzl, Capital Inds., Ferguson, Field, Filofax, Hunters Armley, Wace, PROP (20) STORES (3) Mallett, Rosebys, TELE NETWORKS (2) Gt. Nordic, Vodafone, TEXTS (3) Forminster, French (T.), Hicking Pentecost, TRANSPORT (4) Cawsongroup, GATX, Manchester Ship, Stagecoach, WATER (3) East Surrey, Mid Kent, Severn Trent, PLANTATIONS (1) Anglo-East., MINES (2) CRA, RTZ.

NEW LOWS (10).

BRITISH FUNDS (4) Tr. 12pc '94, Ex. 12¾pc '94, Ex. 13½pc '94, Tr. 14½pc '94, CHEMS (1) Cambridge Isotope, CONTG & CONSTRCN (1) BR & FA, ENG GEN (1) WS Inds., HOTELS & LEIS (1) First Leis., MISC (1) Delabey, TEXTS (1) Horace Small Apparel

FINANCIAL TIMES EQUITY INDICES

	Aug 26	Aug 25	Aug 24	Aug 23	Aug 20	Year ago	* High	* Low
Ordinary share	2393.5	2394.3	2373.5	2373.4	2384.1	1688.6	2406.1	2124.7
Ord. div. yield	3.86	3.86	3.89	3.89	3.87	5.28	4.52	3.84
Earning yld % full	4.55	4.55	4.59	4.59	4.57	7.68	6.38	4.53
P/E ratio net	28.04	28.04	27.81	27.83	27.96	16.47	28.16	19.40
P/E ratio nil	25.89	25.90	25.68	25.70	25.82	15.32	26.01	18.14
Gold Mines	193.5	197.0	199.0	197.8	197.7	79.3	249.2	80.0

*for 1993. Ordinary share index since compilation: high 2406.1 18/8/93 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2394.0	2390.1	2388.7	2380.7	2377.2	2376.2	2385.7	2390.8	2394.0	2394.4	2375.0

Volume	Aug 26	Aug 25	Aug 24	Aug 23	Aug 20	Year ago
SEAQ Bargains	31,881	31,865	28,734	33,507	33,843	18,567
Equity Turnover(£m)†	-	2301.5	1251.9	1162.8	1582.0	878.6
Equity Bargains†	-	35,709	33,524	38,590	39,199	20,546
Shares traded (mil)†	-	614.0	475.2	505.2	606.3	392.4

† Excluding intra-market business and overseas turnover.

EQUITY FUTURES AND OPTIONS TRADING

DERIVATIVES trading trod a cautious path ahead of yesterday morning's Bundesbank policy council meeting, with uncertainty over interest rate cuts holding volume in check, Christine Buckley writes.

Some profit-taking in equity futures depressed the level of the September contract on the FT-SE 100 in morning trading and it fell to the day's low just before the Bundesbank's news.

But once Germany stemmed speculation with a decision to stand firm on its rates, more action moved into the market, taking the September future on a rally that did not turn back. The contract also received added impetus from a squeeze. With short positions boosting the performance, it closed at 3,097 with 11,740 contracts traded, a rise of 6 points on the day.

Given the lack of German action on interest rates and a fairly lacklustre trade in short sterling and gilts, the fact that the contract moved upwards was a measure of its underlying strength, traders believed. It finished the session 12 points ahead of its fair value premium to the cash market, the measure of carrying costs and dividend payments on the underlying contract.

A significant amount of switching between futures and cash was also seen, as well as some large block deals.

Traded options had less fire with 24,269 lots traded. The Footsie option weighed in with 7,098 contracts and the highest stock was Glaxo at 3,774.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
3079.2 +0.0	3494.7 −0.9	1527.83 +0.25

	Aug 26	Day's change %	Aug 25	Aug 24	Aug 23	Year ago	Dividend yield %	Earnings yield %	P/E Ratio	Xd adj ytd	Total Return
FT-SE 100	3079.2	—	3079.2	3049.3	3042.0	2311.6	3.73	5.60	22.74	66.57	1113.81
FT-SE Mid 250	3494.7	—	3495.6	3474.2	3467.4	2197.9	3.46	5.63	22.37	63.78	1252.50
FT-SE Mid 250 ex Inv Trusts	3506.7	—	3507.9	3486.1	3479.5	2208.9	3.56	5.92	21.10	65.03	1252.12
FT-SE-A 350	1542.0	—	1542.1	1528.4	1524.8	1115.1	3.67	5.58	22.19	32.15	1142.52
FT-SE SmallCap	1777.73	+0.3	1771.60	1763.76	1759.87	-	3.15	3.68	35.68	29.00	1334.27
FT-SE SmallCap ex Inv Trusts	1771.82	+0.4	1765.31	1757.68	1753.18	-	3.33	4.29	30.30	30.14	1330.89
FT-A ALL-SHARE	1527.83	—	1527.58	1514.44	1510.98	1097.40	3.64	5.48	22.72	31.43	1152.22
1 CAPITAL GOODS(214)	1092.92	—	1093.02	1084.69	1081.76	690.73	3.64	3.84	34.34	21.87	1284.09
2 Building Materials(28)	1175.88	−0.6	1183.27	1168.33	1163.04	694.33	3.90	3.30	42.66	21.58	1359.09
3 Contracting, Construction(29)	1039.66	−0.3	1042.81	1036.16	1031.94	549.28	3.16	1.26	80.00†	14.39	1435.74
4 Electricals(15)	3114.24	+1.1	3079.71	3028.53	3004.04	2049.33	4.34	3.44	36.46	74.00	1258.80
5 Electronics(38)	2960.73	+0.2	2955.03	2930.27	2937.16	1893.66	2.92	5.63	21.74	62.97	1298.35
6 Engineering-Aerospace(7)	455.78	+0.4	453.90	450.14	445.55	295.93	3.24	‡	‡	6.61	1573.79
7 Engineering-General(48)	630.14	−0.4	632.78	628.85	630.89	418.46	3.45	5.61	21.52	12.41	1262.14
8 Metals & Metal Forming(10)	463.11	−0.3	464.61	462.72	458.75	264.38	2.36	‡	‡	6.45	1462.87
9 Motors(20)	460.69	—	460.89	458.57	459.34	285.30	4.74	4.11	33.96	10.47	1263.65
10 Other Industrials(19)	2270.28	+0.3	2262.42	2251.41	2240.18	1512.53	3.98	5.06	23.60	51.39	1170.86
21 CONSUMER GROUP(233)	1738.38	−0.1	1740.88	1728.24	1729.92	1462.14	3.31	6.45	18.81	30.47	1010.09
22 Brewers and Distillers(29)	2051.00	−0.5	2061.56	2037.04	2021.11	1834.53	3.60	7.54	16.03	42.12	1004.37
25 Food Manufacturing(22)	1383.71	−0.4	1388.84	1379.84	1377.39	1101.94	3.68	7.06	16.91	28.07	1067.72
26 Food Retailing(17)	3059.30	+0.1	3056.62	3061.81	3091.21	2607.77	3.06	8.45	14.69	52.25	959.32
27 Health & Household(30)	3502.59	−0.7	3528.41	3490.74	3503.29	3723.87	3.52	6.28	18.58	47.83	833.76
29 Hotels and Leisure(19)	1430.72	−0.1	1432.00	1423.61	1424.58	968.63	4.13	5.86	21.38	45.01	1154.70
30 Media(33)	2132.60	+0.3	2125.96	2111.27	2116.01	1390.43	2.46	4.74	25.53	28.92	1185.92
31 Packaging and Paper(24)	918.38	+0.4	915.08	903.28	899.25	706.35	3.19	5.23	23.54	15.31	1197.18
34 Stores(39)	1265.84	+0.6	1258.28	1253.98	1258.73	933.18	2.85	5.52	22.67	18.39	1107.38
35 Textiles(20)	835.30	+0.2	833.30	827.96	826.31	558.77	3.68	5.76	21.74	15.55	1138.55
40 OTHER GROUPS(141)	1614.00	+0.1	1612.86	1599.82	1597.81	1181.23	4.00	6.91	17.51	38.87	1153.44
41 Business Services(27)	1735.19	+1.4	1710.41	1687.74	1682.22	1201.99	2.85	6.77	16.86	21.86	1155.71
42 Chemicals(23)	1568.61	−0.1	1569.48	1565.02	1567.14	1257.71	4.19	0.29	‡	43.99	1134.87
43 Conglomerates(11)	1570.16	+0.1	1568.56	1546.19	1538.32	1111.44	4.88	6.84	16.49	35.28	1162.26
44 Transport(15)	3193.63	−0.1	3196.68	3172.25	3160.53	2152.74	3.62	4.87	25.76	58.31	1179.07
45 Electricity(16)	1930.15	+0.5	1921.02	1894.21	1898.84	1341.36	4.06	11.61	10.71	61.43	1277.50
46 Telephone Networks(4)	1886.77	−0.1	1888.57	1875.62	1875.20	1372.20	3.59	5.54	22.22	34.68	1143.66
47 Water(13)	3639.50	−0.2	3648.49	3650.56	3657.92	2906.93	4.87	11.91	9.28	106.71	1158.15
48 Miscellaneous(32)	2490.32	−0.4	2499.42	2487.17	2475.96	1904.47	4.24	7.73	15.15	76.80	1041.18
49 INDUSTRIAL GROUP(588)	1549.88	—	1550.57	1538.78	1537.97	1179.31	3.61	6.06	20.19	31.30	1105.42
51 Oil & Gas(18)	2678.68	+0.1	2674.95	2622.99	2583.43	1817.41	4.08	5.89	21.32	53.10	1222.18
59 "500" SHARE INDEX(606)	1649.61	—	1650.02	1635.33	1631.90	1240.12	3.66	6.05	20.30	33.26	1117.24
61 FINANCIAL GROUP(90)	1140.84	+0.2	1138.39	1129.61	1125.81	643.66	3.74	3.25	45.89	27.35	1343.04
62 Banks(9)	1543.91	+0.5	1536.94	1519.59	1507.90	874.11	3.44	4.01	34.38	39.85	1335.82
65 Insurance (Life)(6)	2047.22	−0.3	2052.56	2050.07	2052.50	1339.35	4.37	4.69	26.82	47.49	1190.78
66 Insurance (Composite)(7)	720.54	—	720.28	717.69	722.87	433.29	4.65	‡	‡	19.89	1184.96
67 Insurance Brokers(10)	947.08	—	946.77	952.90	954.61	560.33	4.12	4.42	33.24	17.64	1250.38
68 Merchant Banks(6)	797.63	+0.2	796.30	794.91	796.20	337.62	2.84	5.71	21.74	13.62	1622.94
69 Property(39)	1022.88	−0.1	1024.40	1013.82	1009.28	499.20	3.97	3.93	33.58	20.13	1638.53
70 Other Financial(23)	456.03	+0.2	455.33	454.65	454.82	216.69	3.32	4.78	28.01	7.26	1541.31
71 Investment Trusts(110)	1688.31	+0.1	1686.77	1677.77	1674.92	1037.71	2.44	1.93	51.72	24.21	1285.59
99 FT-A ALL-SHARE(806)	1527.83	—	1527.58	1514.44	1510.98	1097.40	3.64	5.48	22.72	31.43	1152.22

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3084.3	3080.6	3078.2	3066.3	3060.1	3059.4	3070.3	3074.4	3079.7	3085.0	3058.6
FT-SE Mid 250	3500.5	3501.0	3499.4	3494.2	3491.0	3489.4	3492.8	3493.7	3494.5	3501.7	3489.3
FT-SE-A 350	1544.6	1543.2	1542.1	1537.0	1534.2	1533.8	1538.4	1540.0	1542.2	1544.9	1533.7

Time of FT-SE 100 high: 8.35am low: 11.33am

FT-SE Actuaries 350 Industry Baskets

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous close	change
Constrcn	2023.3	2023.4	2017.4	2014.9	2014.9	2014.9	2014.9	2014.9	2016.8	2016.8	2023.6	-6.8
Health & H	1060.3	1058.6	1059.0	1055.2	1050.8	1050.1	1052.0	1050.9	1056.0	1054.5	1062.6	-8.1
Water	1522.4	1524.1	1521.5	1511.5	1503.4	1501.2	1503.5	1503.4	1503.2	1503.2	1507.1	-3.9
Banks	1887.7	1882.9	1878.0	1872.1	1870.3	1868.6	1874.8	1876.6	1876.8	1876.6	1868.1	+8.5

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT at the same address.
The increase in the size of the FT-Actuaries All-Share Index from January 4 1993 means that the FT 500 now contains more stocks. It has been renamed the FT "500". † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.
The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 Indices are compiled by the London Stock Exchange and the FT-Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules.

"FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or −	1993 high	1993 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
Funding 6pc 1993‡‡		100xd	—	100¼	99[illegible]	6.00	-
Treas 13¼pc 1993‡‡		101⅞	−[illegible]	106[illegible]	101½	13.50	5.69
8½pc 1994		101¼	−[illegible]	102[illegible]	101¼	8.40	5.54
14½pc 1994‡‡		104[illegible]xd	−[illegible]	109¼	104[illegible]	13.87	5.55
Exch 13½pc 1994		105[illegible]	−[illegible]	109[illegible]	105[illegible]	12.83	5.48
Treas. 10pc Ln. 1994‡‡		103½	−[illegible]	105[illegible]	103½	9.68	5.44
Exch 12½pc 1994		108[illegible]	−[illegible]	110[illegible]	106[illegible]	11.71	5.41
Treas 9pc 1994‡‡		104[illegible]	—	105[illegible]	103[illegible]	8.64	5.40
12pc 1995		108[illegible]	—	111[illegible]	108[illegible]	11.03	5.49
Exch 3pc Gas 90–95		96[illegible]	—	97	94	3.10	4.87
10¼pc 1995		108¼	—	109[illegible]	107[illegible]	9.47	5.63
Treas 12¾pc 1995‡‡		114[illegible]	−[illegible]	116[illegible]	113[illegible]	11.14	5.74
14pc 1996		118[illegible]	−[illegible]	120[illegible]	117[illegible]	11.88	5.85
15¼pc 1996‡‡		122[illegible]	−[illegible]	125[illegible]	121[illegible]	12.43	5.99
Exch 13¼pc 1996‡‡		118[illegible]	−[illegible]	120[illegible]	116½	11.23	5.98
Conversion 10pc 1996		111[illegible]	—	111½	108[illegible]	9.00	6.14
Treas 13¼pc 1997‡‡		121	−[illegible]	122[illegible]	118[illegible]	10.95	6.30
Exch 10½pc 1997		113[illegible]xd	−[illegible]	113[illegible]	110[illegible]	9.28	6.27
Treas 8¾pc 1997‡‡		108[illegible]xd	—	109	105½	8.05	6.29
Exch 15pc 1997		130[illegible]	−[illegible]	132[illegible]	127[illegible]	11.52	6.56
9¾pc 1998		112[illegible]	—	112[illegible]	109[illegible]	8.67	6.45
Treas 7¼pc 1998‡‡		103[illegible]xd	—	103[illegible]	99[illegible]	7.08	6.35
7¼pc 1998 B‡‡		56[illegible]	—	56[illegible]	54[illegible]	7.01	6.38
Treas 6¾pc 1995–98‡‡		101[illegible]	—	101¼	97[illegible]	6.88	6.10
14pc '98–1		129¼	−[illegible]	129½	125[illegible]	10.81	6.86
Five to Fifteen Years							
Treas 15½pc '98‡‡		137[illegible]xd	−[illegible]	138[illegible]	133[illegible]	11.28	6.70
Exch 12pc 1998		122[illegible]	−[illegible]	123[illegible]	118[illegible]	9.79	6.79
Treas 9½pc 1999‡‡		112[illegible]	−[illegible]	113[illegible]	108[illegible]	8.47	6.61
Exch 12¼pc 1999		124¼xd	−[illegible]	125[illegible]	120[illegible]	9.82	6.85
Treas 10½pc 1999		117[illegible]	−[illegible]	118[illegible]	112[illegible]	8.92	6.72
Conversion 10¼pc 1999		117[illegible]	−[illegible]	118[illegible]	112[illegible]	8.71	6.73
9pc 2000‡‡		111[illegible]xd	−[illegible]	113	106	8.04	6.71
Treas 13pc 2000		132	−[illegible]	132[illegible]	125½	9.85	7.04
10pc 2001		117[illegible]	−[illegible]	118¼	109[illegible]	8.53	7.00
7pc '01(£17¼P/P)‡‡		20[illegible]	−[illegible]	21[illegible]	17[illegible]	6.86	6.90
9¾pc 2002		117[illegible]	−[illegible]	118½	108[illegible]	8.30	7.08
8pc 2003‡‡		107[illegible]	−[illegible]	108[illegible]	97[illegible]	7.45	6.95

BRITISH FUNDS - Cont.

	Notes	Price £	+ or −	1993 high	1993 low	Yield Int.	Yield Red.
8pc 2003 A‡‡		107[illegible]	−[illegible]	108[illegible]	102[illegible]	7.48	6.97
10pc 2003		120[illegible]xd	−[illegible]	121½	109[illegible]	8.31	7.12
Treas 11½pc 2001–4		124[illegible]xd	−[illegible]	125[illegible]	118[illegible]	9.26	7.28
Funding 3½pc '99–4		79[illegible]	−[illegible]	80[illegible]	67[illegible]	4.39	6.07
Conversion 9½pc 2004		117[illegible]	—	118[illegible]	105[illegible]	8.10	7.21
9½pc 2005		117[illegible]	−[illegible]	118[illegible]	105[illegible]	8.08	7.23
Treas 12½pc 2003–5		135[illegible]	+[illegible]	136[illegible]	124[illegible]	9.22	7.46
7¾pc 2006‡‡		104[illegible]xd	−[illegible]	104[illegible]	94[illegible]	7.45	7.26
8pc 2002–6‡‡		105[illegible]	−[illegible]	106[illegible]	94[illegible]	7.59	7.17
Treas 11¾pc 2003–7		128[illegible]	—	129[illegible]	118[illegible]	9.12	7.43
Treas 8½pc 2007‡‡		110[illegible]	−[illegible]	111[illegible]	97[illegible]	7.71	7.31
8½pc 2007 C‡‡		26[illegible]	−[illegible]	27[illegible]	24[illegible]	7.74	7.35
13½pc '04–8		143[illegible]xd	+[illegible]	144[illegible]	131[illegible]	9.40	7.48
Over Fifteen Years							
Treas 9pc 2008‡‡		114[illegible]	−[illegible]	115[illegible]	101¼	7.84	7.35
9pc 2008 D‡‡		71[illegible]	−[illegible]	72[illegible]	64[illegible]	7.84	7.36
8pc 2009		105[illegible]xd	+[illegible]	107	92[illegible]	7.55	7.37
Conv 9pc Ln 2011‡‡		119[illegible]	−[illegible]	117¼	100½	7.78	7.40
Treas 9pc 2012‡‡		116[illegible]	−[illegible]	117[illegible]	100[illegible]	7.76	7.40
Treas 5½pc 2008–12‡‡		84[illegible]xd	−[illegible]	85[illegible]	70[illegible]	6.53	7.00
Treas 8pc 2013‡‡		105[illegible]xd	−[illegible]	107[illegible]	93[illegible]	7.55	7.42
7¾pc 2012–15‡‡		104¼	—	106	89[illegible]	7.43	7.35
Treas 8¾pc 2017‡‡		114[illegible]	−[illegible]	116[illegible]	97[illegible]	7.63	7.42
Exch 12pc '13–'17		145[illegible]	−[illegible]	147[illegible]	125[illegible]	8.27	7.59
Undated							
Consols 4pc		52½	−¼	53[illegible]	43[illegible]	7.62	-
War Loan 3½pc‡‡		46[illegible]	−[illegible]	47[illegible]	38[illegible]	7.47	-
Conv 3½pc '61 Aft.		65¼xd	−[illegible]	67[illegible]	60[illegible]	5.32	-
Treas 3pc '66 Aft.		39[illegible]	−1	40[illegible]	33½	7.82	-
Consols 2½pc		33[illegible]	−½	35[illegible]	28[illegible]	7.39	-
Treas. 2½pc		32¼xd	−[illegible]	34¼	27[illegible]	7.63	-

BRITISH FUNDS - Cont.

Index-Linked	Notes	Price £	+ or −	1993 high	1993 low	Yield (1)	Yield (2)
	(b)						
Treas. 2pc '94	(102.9)	135	+⅛	135	131[illegible]	—	0.01
2pc '96	(67.9)	199[illegible]xd	+[illegible]	199[illegible]	194[illegible]	1.49	2.37
4⅝pc '98‡‡	(135.6)	110	+[illegible]	110	105[illegible]	1.90	2.54
2½pc '01	(78.3)	168[illegible]xd	+[illegible]	168[illegible]	159	2.66	3.03
2½pc '03	(78.8)	164[illegible]	+[illegible]	164[illegible]	155	2.81	3.12
4⅝pc '04‡‡	(135.6)	112½	+[illegible]	112[illegible]	105½	2.84	3.14
2pc '06	(69.5)	173[illegible]	+[illegible]	173[illegible]	159¼	2.90	3.13
2½pc '09	(78.8)	157[illegible]	+[illegible]	157[illegible]	144	3.05	3.28
2½pc '11	(74.6)	164[illegible]	+[illegible]	164[illegible]	148[illegible]	3.08	3.27
2½pc '13	(89.2)	135[illegible]	+[illegible]	135[illegible]	122[illegible]	3.11	3.28
2½pc '16	(81.6)	145[illegible]	+[illegible]	146[illegible]	130[illegible]	3.14	3.31
2½pc '20	(83.0)	140[illegible]	+[illegible]	141[illegible]	124[illegible]	3.19	3.32
2½pc '24‡‡	(97.7)	118	+[illegible]	118[illegible]	102[illegible]	3.19	3.32
4⅛pc '30‡‡	(135.1)	118[illegible]	+¼	118[illegible]	103[illegible]	3.20	3.33

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for December 1992: 139.2 and for July 1993: 140.7.

OTHER FIXED INTEREST

	Notes	Price £	+ or −	1993 high	1993 low	Yield Int.	Yield Red.
African Dev 11¼ 2010		132[illegible]	—	133[illegible]	115[illegible]	8.42	7.64
Asian Dev 10¼pc 2009		124[illegible]	—	125[illegible]	109[illegible]	8.25	7.57
B'ham 11½pc 2012		130	—	130	114	8.85	8.36
Ireland Cap 8½pc '10		118	−2	120	95	7.20	-
9pc Cap 1996		113	−1	116	97½	7.98	-
13pc '97–2		129	—	130	110	10.08	-
Hydro Quebec 15pc 2011		159[illegible]	—	159[illegible]	139[illegible]	9.41	8.47
Leeds 13½pc 2006		141¼	—	141¼	128	9.56	-
Liverpool 3½pc Irred.		40	—	41½	34	8.75	-
LCC 3pc '20 Aft.		35½	—	37½	30½	8.45	-
Manchester 11½pc 2007		127½	—	127½	114	9.02	8.20
Met. Wtr. 3pc 'B'		72½	—	72½	63¼	4.14	7.01
N'wide Anglia 3¾pc 2021		137	—	137	117½	—	4.19
4¼pc IL 2024		132¼	—	132¼	115½	—	4.12
Utd Mex States 16½pc 2008		147	—	147	132¼	11.22	-

Continued on next page

CROSSWORD

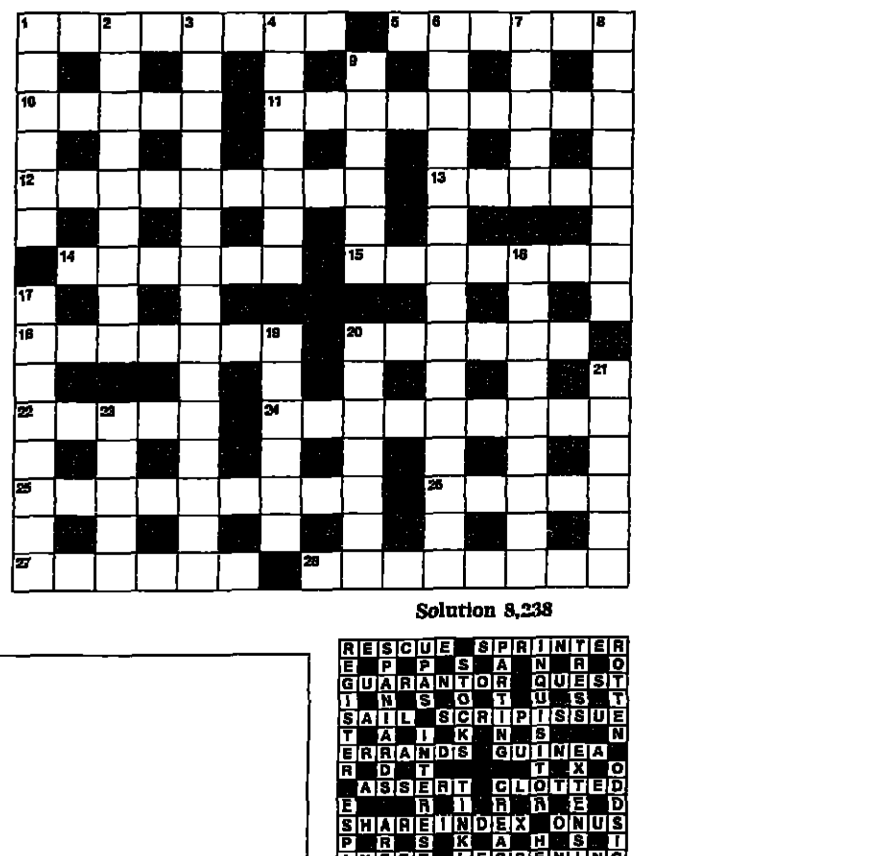
No.8,239 Set by GRIFFIN

ACROSS

1 One needs nice cocktail after sea-sickness remedy! (8)
5 Food passes down this or that contrivance (6)
10 Said why leaving gym toilet in darkness (5)
11 Unable to get off with Les is promiscuous (9)
12 Financial specialist comes into new building (9)
13 Agree to pop back with one animal (5)
14 Scan certain to reveal hidden illness (6)
15 Lies awkwardly, having left pervert back on board (7)
18 Must his models strip in sea water? (7)
20 Part of one's eye make-up? (6)
22 Take petitioner's position? (5)
24 Take choir round plant (9)
25 Divorcee and dull accountant admitted free (9)
26 Superior boat shipwrecked outside Birkenhead (5)
27 Sole scheme taking volunteers (6)
28 About ten say a hip operation is cause of death (8)

DOWN

1 Manufactures first silver catch which is attractive (6)
2 Which stops one humming? (9)
3 Describes cold, not rare, beef (6,9)
4 Sailors stand around while Bond's less pleasant (7)
6 Doctors swear by it! (11,4)
7 A salesman ought to back entertainment (5)
8 In trial sparkling wine is most delicious (8)
9 The sad broadcast ends (6)
16 Light shrub and plant container (6,3)
17 Choose 'em a stimulating drink (4-2-2)
19 Drink with staff making tar (6)
20 Retorts which upset cads (7)
21 She wants a cabin up front (6)
23 Are holding a model cross up further (5)



JOTTER PAD

Solution 8,238

AMERICANS

Notes	Price £	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbott Labs	17¼xd	+⅛	20⅞	15⅝	14,983	2.6
Allegheny & W ♥	657p	—	722p	399p	361.4	3.1
Amdahl	335p	+2	891p	302½p	368.1	1.0
Amer Cyanamid	34⅞	—	38⅝	31⅛	3,144	3.4
Amer Express	25⅛xd	+⅜	25⅞	14⅞	12,301	2.6
Amer T & T	40⅞xd	+1	43¼	33½	54,110	2.2
Ameritech	55⅞	+⅞	56½	46	24,484	4.5
Anheuser-Busch	31¼	-⅜	41¼	30⅛	8,647	2.9
BankAmerica	31½xd	+⅝	38⅛	27⅜	11,199	3.0
Bankers NY	53½xd	+⅞	54⅛	42⅝	4,294	3.9
Bell Atlantic	40⅝	+1¼	40⅝	32¼	17,648	4.4
BellSouth	37⅝	+⅞	38⅞	32⅞	18,888	5.0
Bethlehem Steel ♥	9⅞xd	—	13¼	8⅞	848.5	-
Bowater	1380pxd	+6	1662p	1287p	500.1	2.9
CPC	30xd	+⅞	34⅝	26	4,543	2.9
California Engy	1189p	—	1479p	1096p	216.3	-
Chase Manhattan	22⅞xd	+⅛	24½	17⅝	3,580	3.6
Chrysler	28¼xd	+⅛	32¼	21¼	8,272	1.4
Citicorp	22⅜xd	+⅛	22⅞	13⅞	8,179	-
Colgate-Palm	34⅛xd	+⅛	45⅞	32	5,548	2.8
Cont'l Bank	1814p	+4	1877p	1278p	1,831	2.5
Dana	38⅝xd	-⅛	37⅞	29⅞	1,881	2.9
Data General	610p	—	851p	527p	166.3	-
Decora Inds ♥	104p	—	148p	104p	-	-
Dun & Brad	41⅞	+⅜	42⅞	37⅞	7,374	4.0
Eaton	31⅞	+¼	31⅞	25⅞	2,217	2.5
Echlin	19½xd	+⅛	20½	15⅞	1,138	2.4
FPL	26⅛xd	+¼	27⅞	23¼	4,748	6.4
Ford Motor	34⅞xd	+⅛	38½	28⅞	17,063	1.8
Gen Elect	66⅝xd	+⅞	67⅞	53⅞	56,900	2.5
General Host ♥	502p	-29	723p	458p	-	4.8
Gillette	38¼xd	-⅛	42⅞	31⅞	7,938	1.6
Hasbro	20⅞	—	20⅞	20⅞	1,819	0.6
Honeywell	25⅞xd	+⅛	26½	20⅞	3,545	2.3
Houston Inds	30⅞	—	33¼	28¼	3,998	6.5
Ingersoll-Rand	25⅞xd	-⅛	25⅛	19⅛	2,683	1.8
Lockheed	40⅛	-1⅛	45⅞	35⅛	2,482	3.5
Lowe's	2643p	-4	2748p	1573p	1,928	0.8
Maxy Technology	301p	-35	339p	127p	-	-
Merrill Lynch	63½xd	+⅞	63½	37	6,625	1.5
Morgan (JP)	50⅛xd	+⅛	50⅞	38⅛	9,682	3.2
Morris (Philip)	33xd	+⅝	52⅝	28	28,819	5.3
NYNEX	68⅝	+⅛	64⅛	52⅛	12,318	5.3
Pall	11⅛	-⅛	15	10⅞	1,383	1.8
Pennzoil	46½xd	+⅞	48⅝	31⅞	1,894	4.3
Quaker Oats	46xd	+⅞	50⅞	39⅞	3,316	2.8
Questar	189p	+39	229p	164½p	19.8	-
Rockwell	24⅞xd	+⅛	24⅞	18⅞	5,387	2.7
Reo NY	35⅛xd	+⅛	37⅞	29¼	1,864	2.0
Sears, Roebuck	35¼xd	-¼	38⅞	18⅞	8,258	3.0
Sthwestern Bell h	28½	-¼	28⅝	23⅛	17,817	3.8
Sun Co	18½xd	—	21⅛	14¼	1,986	6.5
Tenneco	38¼xd	+⅞	38¼	25½	6,117	3.0
Texaco	43½xd	+⅛	44¼	37⅛	11,285	4.9
Time Warner	27xd	+½	27	18⅝	10,031	0.8
Unilab ♥	494p	-15	508p	358p	224.9	-
US West	30⅛	—	31⅛	24¼	12,744	4.7
Varity	2580p	-19	2579p	1686p	774.1	-
WMX Technologies	20⅛xd	-¼	27⅛	19¼	9,963	3.0
Whirlpool	4551pxd	-26	4577p	2824p	3,181	1.8
Woolworth ♥	16⅞	—	21½	16⅞	2,216	4.6

CANADIANS

Notes	Price £	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbot Energy ♥	2p	—	2p	2p	-	-
Amer Barrick	1733p	-23	1885p	890½p	4,940	0.3
Bk Montreal h	13⅜	-¼	14¼	11⅞	3,326	4.2
Bk Nova Scot	1353p	+9	1438p	1111p	2,847	4.1
BC Gas ♥	835p	-1	857p	723p	-	3.6
BCE	22⅞	-⅛	26⅛	30⅞	6,929	5.8
Brascan ♥	672p	—	721p	454p	554.2	7.7
Breakwater ♥	8⅞p	+½	16½p	8¼p	5.64	-
Can Imp Bk	1663p	+2	1748p	1226p	3,498	4.0
Can Pacific	1048p	—	1135p	810p	3,338	1.5
4pc Deb	47½	—	47¾	38	22.2	8.7
Denison ♥	247p	-6	281p	164p	-	5.7
Echo Bay ♥	817p	—	972p	285p	908.2	0.5
Gulf Can ♥	261pxd	-16	304p	147p	414.0	-
Hawker Sid ♥	12⅞	-¼	13½	10⅛	105.8	4.2
Hudson's Bay ♥	1752p	+15	1938p	1485p	523.3	2.3
Imperial Oil ♥	29⅛xd	—	28½	20⅞	4,918	3.6
Inco	14⅝	-½	17⅛	13⅛	1,602	1.8
Nova Corp Alberta	454pxd	-5	527p	432p	1,361	2.6
Rio Algom ♥	987p	-3	1096p	830p	431.7	3.0
Royal Bk Can	1447p	—	1492p	1125p	4,541	4.0
TVX Gold ♥	380p	—	381p	129½p	482.5	-
Toronto-Dom	988p	-16	996p	753p	2,914	3.9
Trans Can Ppe ♥	1070p	-17	1119p	847p	1,875	3.9

BANKS

Notes	Price	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl	£23½	—	£23½	£19⅛	6,548	4.6	12.2
ANZ A$	197½	+3½	197½	130	2,583	4.6	-
Abbey National †	404xd	+1	429	345	5,296	3.8	15.6
Allied Irish IE	270xd	-1	284	179	1,772	3.8	15.0
Anglo Irish IE	60	—	60	32	72.9	7.0	13.6
Asahi Y	791	-16	844	415	18,353	0.6	ɸ
Banco Bil Viz Pta	£16¼	—	£17	£13⅛	3,753	5.2	7.1
Banco Sant Pta	£32¼	+⅛	£32¼	£24⅞	3,638	4.1	12.0
Bk Ireland IE	249	-2	255	177	1,168	4.9	20.0
Bank Leumi (UK)	350	—	350	325	27.3	6.1	-
Bank Scotland	170	[illegible]	178	[illegible]	[illegible]	[illegible]	[illegible]

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

INVESTMENT COMPANIES

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

MEDIA

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- Φ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ⁂ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- ‖ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield, p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue
h Assumed dividend yield after scrip issue
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94
N Figures based on IIMR "Headline Earnings" draft proposals.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣ . Ring 081 643 7181 (open 24 hours including weekends) or fax 081 770 3822, quoting the code FT1196. [If calling from outside UK, dial +44 81 643 7181 or fax +44 81 770 3822] Reports will be sent the next working day, subject to availability. If faxing please remember to state the weekly changing FT code above and also your post code.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

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AUTHORISED UNIT TRUSTS

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Unit Trust Managers Limited (1000)F						
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783						
AIB Grofund American	5	159.6	161.2	169.7	+1.10	0.00
AIB Grofund Equity	5	219.9	221.2	238.2	+1.00	1.28
AIB Grofund Euro	5	180.7	182.5xd	192.1	+1.80	0.20
AIB Grofund Exd Balanced	3	108.4	108.5xd	111.9	+0.40	1.77
AIB Grofund Gilt	3	78.32	78.34xd	80.77	+0.03	4.87
AIB Grofund Japan	5	182.9	184.6	194.3	+1.50	0.00
AXA Equity & Law Unit Tst Mngrs (1200)H						
Equity & Law Hse, Corpn St, Coventry 0203 553231						
General Inc	5	456.3	457.5	486.8	-1.3	2.28
General Acc	5	500.5	502.0	534.1	-1.4	2.28
UK Growth Acc	6	332.7	338.9	358.5	-1.4	2.48
UK Growth Inc	6	235.6	238.7	254.0	-1.0	2.48
Higher Inc Acc	6	820.1	828.2	868.4	-0.5	3.50
Higher Inc Inc	6	378.7	381.8	405.0	-0.4	3.80
Gilts/Fxd Int Acc	5½	184.2	185.2	196.8	+0.5	5.79
Gilts/Fxd Int Inc	5½	97.06	97.06	102.5	-0.2	6.79
Nth America	6	249.5	252.2	268.3	+0.5	0.00
Far East	6	324.4	324.4	345.1	+4.2	0.18
Brown Shipley UT Mngrs (1000)F						
9-17 Perrymount Rd Haywards Hth 0444 412282						
Mngd P'folio Inc	6	100.1	100.1xd	106.6	+0.80	1.66
Mngd P'folio Acc	6	190.4	190.4	202.8	+1.30	-
UK General	6	169.5	169.0	180.8	+0.20	2.68
European Inc	6	23.77	23.77	25.68	+0.41	0.44
European Acc	6	24.55	24.55	26.42	+0.43	-
Financial	6	142.1	142.1xd	151.4	-0.70	2.77
Foundation	6	83.73	86.04	91.63	+0.60	2.91
German	6	45.50	45.50	48.78	+0.70	0.08
High Income	6	78.17	78.17	83.04	+0.22	6.27
Income	6	138.8	141.0	150.0	-1.00	3.64
Intl Income	6	100.7	100.7	107.2	+0.40	4.38
Intl Growth ♣	6	38.70	38.70	39.15	+0.12	0.30
Monthly Income	6	80.01	81.78	87.50	+0.60	3.66
North American	6	109.3	109.3	116.4	+0.80	0.19
Orient ♣	6	139.1	139.1	148.8	+2.80	-
Recovery	6	43.20	44.92	48.39	+0.22	2.32
Smaller Cos Acc	6	309.3	325.1	347.8	+0.18	-
Smaller Cos Inc	6	179.9	180.1	202.3	—	1.07
Brycourt Unit Tst Mgmt Ltd (1400)F						
Hesketh Hse, Portman Sq, W1H 0JR 071-935 8382						
Income Growth	1	201.2	201.2	206.8	—	3.74
Burrage Unit Tst Mangmt Ltd (0905)F						
117 Fenchurch St, London EC3M 5AL 071-480 7218						
Short Dated Gilt	1¼	67.99	67.99	68.81	+0.04	5.08
Eagle Star Unit Mngrs Ltd (1000)F						
Bath Road, Cheltenham GL53 7LQ 0242 577 555						
UK Balanced Inc	6	133.9	135.3xd	144.6	+0.70	2.38
UK Balanced Acc	6	158.0	160.3xd	170.5	+0.70	2.38
UK Growth Acc	6	218.0	219.6	233.6	+1.80	1.92
UK High Inc Inc	6	142.9	145.1	154.4	+0.90	5.74
UK High Inc Acc	6	172.9	175.7	186.9	+1.10	5.74
Nth American Acc	6	118.7	117.8xd	125.1	+0.70	0.31
European Acc	6	177.8	173.9	185.0	+1.00	0.38
UK Pref & F I Inc	6	62.21	62.71xd	65.97	+0.03	6.68
UK Pref & F I Acc	6	102.4	102.4xd	108.6	+0.10	6.68
Intl Spec Sits Acc	6	51.42	51.42	54.70	+0.57	0.21
Environmental Opps	6	75.12	76.31	81.18	+0.32	1.51
Oriental Opps Acc	6	88.08	90.84	96.74	+1.71	0.82
Japanese Acc	6	67.03	67.49	71.80	+0.39	-
Edinburgh Unit Tst Mngrs Ltd (1400)H						
97 Haymarket Terrace, Edinburgh 0345-090 538						
American	5	115.8	115.8	123.0	-1.0	0.41
Convertibles	5¼	24.45	24.45	25.98	-0.08	7.51
Equity Income	5	130.9	130.9	139.1	-0.4	3.59
Eurofund	5	41.01	41.01	43.43	-0.06	0.92
Growth & Inc	5	227.4	227.4xd	241.6	-1.0	3.10
High Dist	5	155.5	155.5	165.2	-0.4	4.64
International	6	344.3	344.3xd	365.3	—	0.80
Intl Income	5¼	86.56	86.56	92.40	+0.17	2.81
Latin American	5¼	33.81	34.09	36.27	+0.17	0.35
Pacific	5¼	62.96	62.96	66.92	+0.32	0.45
Smlr Jap Cos	5	78.97	78.97	83.91	+0.17	-

[illegible]

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Trustee	5	42.58	42.60	45.10	+0.2	3.51
(Accum Units)	5	162.28	162.3	177.8	+0.5	3.51
MGM Unit Managers Ltd (1000)F						
MGM House, Heene Rd, Worthing						
Dealing: 0277 261010. Enq: 0903 204631						
European Growth ♣	5	71.87	72.19	76.70	+0.08	0.50
High Income	5	289.7	292.7	311.3	+2.0	4.24
(Accum Units)	5	502.6	507.8	540.2	+3.4	4.24
Intl Bond	5	68.96	68.58	72.57	+0.04	5.80
Intl Equity Growth ♣	5	66.03	66.04	70.25	+0.36	0.62
North American Growth	5	94.08	94.41	100.43	+0.50	0.70
Special Sits Growth	5	20.47	20.78	22.10	+0.16	1.94
UK Growth	5	355.1	357.4	380.2	+2.2	2.53
(Accum Units)	5	447.4	450.4	479.1	+2.8	2.53
NW Investment Managers Ltd (0658)F						
46 Court St, Haddington, E. Lothian 062-082 5867						
NW Joint Investors	0	1234.9	1234.9	1265.1	—	1.5
Maldon Unit Trust Managers Ltd (1400)F						
c/o Baillie Gifford 1 Rutland Ct EH3 8EY 031-222 4242						
Maldon General	0	133.5	133.5	137.8	—	4.22

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Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Singer & Friedlander UT Mgmt Ltd (1000)F

Smith & Williamson Unit Tst Mgrs (1700)F

Sovereign Unit Tst Mngrs Ltd (1000)F

Standard Life Tst Mgmt Ltd (0730)H

State Street Unit Trust Mngmt Ltd (1400)F

Foreign & Colonial Unit Management Ltd

Funds in Court*

Gevett (John) Unit Mngmt Ltd

Henderson Unit Trust Management Ltd

INVESCO Asset Management Ltd

Lazard Brothers & Co. Ltd

Lazard Investors Ltd ‡

Local Authorities Mutual Invest. Tst.*

OTHER UK UNIT TRUSTS

INSURANCES

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Providence Capitol Life Assc. Co Ltd - Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Group Pension Funds				
Equity Acc	1175.9	1212.3	—	-
Fixed Interest Acc	930.1	958.9	—	-
Managed Acc	172.0	175.4	—	-
Alpha Funds				
UK Alpha		226.6	—	-
US Alpha		110.9	—	-
Gilt Alpha		69.2	—	-
Gold Alpha		97.0	—	-
Japan Alpha		47.4	—	-
US Dollar Alpha		73.1	—	-
Yen Alpha		77.5	—	-
D-Mark Alpha		79.0	—	-
European Alpha		91.0	—	-
Alpha Pension Funds				
UK Alpha		246.0	—	-
US Alpha		125.0	—	-
Gilt Alpha		90.2	—	-
Gold Alpha		88.6	—	-
Japan Alpha		47.9	—	-
US Dollar Alpha		78.5	—	-
Yen Alpha		84.2	—	-
DM Alpha		88.7	—	-
European Alpha		95.3	—	-

Provident Life Assoc Ltd

Provident Way, Basingstoke RG21 2SZ 0256 470707

	Bid Price	Offer Price	+ or -	Yield Gross
Gold Range (Pensions)				
Managed Fund		169.0	+1.3	-

Provident Mutual Life Assc. Assn.

8 Hills Way Stevenage Herts SG1 2ST 0438 732000

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Ord	442.3	465.6	-0.2	-
Managed Init	310.9	327.3	-0.1	-
Equity Ord.	667.1	702.2	-2.1	-
Equity Init	468.9	493.6	-1.5	-
Index Linked Gilt Ord.	202.0	212.6	+0.4	-
Index Linked Gilt Init	148.3	156.1	+0.3	-
Overseas Equity Ord.	357.3	376.1	+1.6	-
Overseas Equity Init	251.1	264.3	+1	-
Property Ord.	232.2	244.4	—	-
Property Init	163.2	171.8	—	-
Fixed Interest Ord	277.1	291.7	+0.1	-

Save & Prosper Group (z)

16-22 Western Rd, Romford RM1 3LB 0708-766966

	Bid Price	Offer Price	+ or -	Yield Gross
A.G. Bond Fd	140.6	148.8	+0.1	-
Bal Inv Fd	701.8	742.7	+3.4	-
Deposit Fd†	353.1	373.7	—	-
Directors' Portfolio	77.8	82.4	+0.5	-
Equity Pens Fd	178.2	188.6	+1.2	-
European Mngd Fd	61.8	65.4	+0.3	-
Gilt Fd	507.4	537.0	-0.6	-
Gilt Pens Fd	139.9	148.1	+0.2	-
Global Equity Fd	219.3	232.1	+1.8	-
Global Eq Pens Fd	208.8	221.0	+1.8	-
High Int Pens Fd†	128.9	136.5	—	-
Japanese Mngd Fd	74.4	78.8	+0.2	-
Managed Income Fd	50.6	53.6	+0.1	4.54
Mon Pens Fd	180.6	191.2	+1.0	-
North American Mngd Fd	67.6	71.6	+0.3	-
Pacific Mngd Fd	69.8	73.9	+0.6	-
Property Fd*	89.4	94.7	—	-
Prop Pens Fd*	114.6	121.3	—	-
Thornton Lambert Managed	206.1	218.1	+1.4	-
UK Capital Portfolio	58.9	62.4	+0.4	-
UK Managed Gilt Fd	57.2	60.6	+0.2	-

†Weekly dealings. *Fortnightly dealings

Scottish Amicable

150 St Vincent St. Glasgow 041-248 2323

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds (First Series)				
Managed	435.2	458.2	-1.60	-
Equity	549.1	578.0	-2.80	-
Property	243.7	256.5	—	-
International	432.6	455.2	-1.30	-
Japanese	124.0	130.6	-0.10	-
Asia Pacific	150.3	158.3	+0.30	-
European	119.0	125.3	—	-
American	154.9	163.1	-1.00	-
Fixed Interest	361.4	380.5	+0.40	-
Index-Linked Gilt	198.5	208.9	+0.40	-
Cash	221.8	233.5	—	-
Life Funds (Second Series)				
Managed	121.3	127.7	-0.40	-
Equity	118.1	124.4	-0.80	-
Property	104.2	109.7	—	-
International	133.8	140.9	-0.40	-

Sun Alliance Group - Contd.

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

IRELAND (REGULATED)(**)

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JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar falls on rate news

THE DOLLAR and European currencies weakened against the D-Mark in European trading yesterday after the Bundesbank surprised dealers by keeping its official interest rates unchanged, *writes James Blitz*.

Expectations had been for a cut of up to ½ a percentage point in the discount rate, which sets the floor for all German money market rates.

The decision not to cut led to a slight firming in the D-Mark's value against most currencies in thin trading. But there was a strong impression that European currencies could start to show a clearer trend against the D-Mark when foreign exchange volumes pick up at the start of next week.

In Europe, the Bundesbank announcement pushed the franc below the FFr3.50 level in mid-afternoon after it had closed on Wednesday night at FFr3.4720. It later closed at FFr3.502. One analyst said that France's unemployment figures for July, due on Monday, would be important in determining how much pressure the currency market must put on the Bank of France to cut rates.

The Danish krone was also weaker, closing at DKr4.125, well below its Wednesday close of DKr4.085. Sterling closed 1¼ pfennigs higher at DM2.5150. But it was the Belgian franc which, of all European currencies, caused most concern. The currency slid to a low of BFr21.35 yesterday, having closed on Wednesday night at BFr21.12.

The announcement by a group of Flemish economists earlier this week that the Belgian currency should sever its link with the D-Mark was the cause of the currency's slide. "The Belgian franc is the European currency we worry about more than any other," said Mr Jim O'Neill, head of research at Swiss Banking Corporation in London.

However, Mr O'Neill believes that it is the performance of the dollar/D-Mark currency pair that will dominate the foreign exchange market's attention over the next few weeks.

Yesterday, the dollar slid against the German currency, closing at DM1.6680, 2 pfennigs down on the day and a 9-week low. Mr O'Neill thinks this trend could continue as dealers gradually turn their attention away from the newly relaxed ERM.

Poor economic data, a large budget deficit and German intransigence continue to hang over the US currency. "A move down to DM1.60 is certainly possible over the next 3 months," said Mr O'Neill. "And I have to say that I do not rule out the possibility of the dollar hitting new historic lows."

The Japanese authorities continued to take full advantage of the upswing in the dollar/yen rate, heavily intervening to support the currency in Asian trading. The intervention helped the dollar to get back above the Y105 level, but Japanese intervention was ineffective in a thin market, and the dollar closed at Y104.40 from a previous Y104.90.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Aug 26	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator‡
Dutch Guilder	2.19672	2.15710	-1.80	8.06	-
D-Mark	1.94964	1.91999	-1.52	7.75	-
Spanish Peseta	154.250	154.884	0.41	5.67	-3
Irish Punt	0.808628	0.820131	1.42	4.62	-10
Belgian Franc	40.2123	40.8187	1.51	4.53	-11
Portuguese Escudo	192.854	195.880	1.57	4.47	-11
French Franc	6.53883	6.69605	2.39	3.63	-20
Danish Krone	7.43679	7.89090	6.11	0.00	-42

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
‡Indicative values only. Divergence indicators are based on 15% band limitations but do not show the 2.25% band between the Dutch Guilder and D-Mark.

£ IN NEW YORK

Aug 26	Latest	Previous Close
£ Spot	1.5125 - 1.5135	1.4810 - 1.4820
1 month	0.34 - 0.33pm	0.35 - 0.34pm
3 months	1.00 - 0.99pm	1.01 - 1.00pm
12 months	2.90 - 2.80pm	2.92 - 2.84pm

Forward premiums and discounts apply to the US dollar

EXCHANGE CROSS RATES

Aug 26	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta	Ecu
£	1	1.507	2.515	157.5	8.807	2.215	2.827	2395	1.976	53.75	203.2	1.318
$	0.664	1	1.669	104.5	5.844	1.470	1.876	1589	1.311	35.67	134.8	0.875
DM	0.398	0.599	1	62.62	3.502	0.881	1.124	952.3	0.788	21.37	80.80	0.524
YEN	6.349	9.568	15.97	1000.	55.92	14.06	17.95	15206	12.55	341.3	1290	8.368
F Fr.	1.135	1.711	2.856	178.8	10.	2.515	3.210	2719	2.244	61.03	230.7	1.497
S Fr.	0.451	0.680	1.135	71.11	3.976	1	1.276	1081	0.892	24.27	91.74	0.595
N Fl.	0.354	0.533	0.890	55.71	3.115	0.784	1	847.2	0.699	19.01	71.98	0.466
Lira	0.418	0.629	1.050	65.76	3.677	0.925	1.180	1000	0.825	22.44	84.84	0.550
C $	0.506	0.763	1.273	79.71	4.457	1.121	1.431	1212	1	27.20	102.8	0.667
B Fr.	1.860	2.804	4.679	293.0	16.39	4.121	5.260	4456	3.676	100.	378.0	2.452
Pta	0.492	0.742	1.238	77.51	4.334	1.090	1.391	1179	0.972	26.45	100	0.649
Ecu	0.759	1.143	1.908	119.5	6.682	1.681	2.145	1817	1.499	40.78	154.2	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100

FINANCIAL FUTURES AND OPTIONS

THREE MONTH EUROLIRA INT. RATE
LIRA 1,000m points of 100%

	Close	High	Low	Prev.
Sep	90.93	91.13	90.89	91.13
Dec	91.82	92.00	91.80	92.02
Mar	92.35	92.49	92.32	92.49
Jun	92.55	92.67	92.52	92.68

Estimated volume 11626 (6183)
Previous day's open int. 87328 (86338)

FT-SE 100 INDEX *
£25 per full index point

	Close	High	Low	Prev.
Sep	3098.0	3105.0	3062.0	3098.0
Dec	3120.5	3120.0	3088.5	3110.0
Mar	3135.0	3107.0	3107.0	3123.5

Estimated volume 15108 (11248)
Previous day's open int. 56339 (56543)

* Contracts traded on APT. Closing prices shown.

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls September	Calls December	Calls March	Puts September	Puts December	Puts March
120	2.93	2.85	-	-	0.29	-
121	1.98	2.09	-	-	0.50	-
122	0.98	1.43	-	-	0.82	-
123	-	0.91	3.20	0.02	1.26	-
124	-	0.54	-	-	-	-
Open int.	92,053	158,894	25,210	239,315	120,833	16,223

Estimated volume 72,828 † Total Open Interest 652,328
† All Yield & Open Interest figures are for the previous day.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.5075	1.5041	1.4976	1.5058	1.4781

BASE LENDING RATES

	%
Adam & Company	6
Allied Trust Bank	6
AIB Bank	6
●Henry Ansbacher	6
B & C Merchant Bank	13
Bank of Baroda	6
Banco Bilbao Vizcaya	6
Bank of Cyprus	6
Bank of Ireland	6
Bank of India	6
Bank of Scotland	6
Barclays Bank	6
Bnt Bk of Mid East	6
●Brown Shipley	6
CL Bank Nederland	6
Citibank NA	6
City Merchants Bank	6
Clydesdale Bank	6
The Co-operative Bank	6
Coutts & Co	6
Credit Lyonnais	6
Cyprus Popular Bank	6
Duncan Lawrie	6
Equatorial Bank plc	6
Exeter Bank Limited	7
Financial & Gen Bank	7
●Robert Fleming & Co	6
Girobank	6
●Guinness Mahon	6
Habib Bank AG Zurich	6
●Hambros Bank	6
Heritable & Gen Inv Bk.	6
●Hill Samuel	6
C. Hoare & Co	6
Hongkong & Shanghai	6
Julian Hodge Bank	6
●Leopold Joseph & Sons	6
Lloyds Bank	6
Meghraj Bank Ltd	6
McDonnell Douglas Bk.	6
Midland Bank	6
Mount Banking	6
NatWestminster	6
Nykredit Mortgage Bnk	6.5
●Rea Brothers	6
* Roxburghe Bank Ltd	6
* (In administration)	
Royal Bk of Scotland	6
●Smith & Williams Secs	6
Standard Chartered	6
TSB	6
●United Bk of Kuwait	6
Unity Trust Bank Plc	6
Western Trust	6
Whiteaway Laidlaw	6
Wimbledon & Sth West	7
Yorkshire Bank	6

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKETS

Euromark futures fall

THE BUNDESBANK again surprised European money market dealers yesterday by refusing to cut its official interest rates when there had been strong expectations that policy would be eased, *writes James Blitz*.

The German central bank left its discount rate unchanged at 6.75 per cent and made no announcement on next week's repo. Market expectations had been for a cut in the discount rate of up to ½ a percentage point, in the belief that inflationary pressures in Germany had eased.

UK clearing bank base lending rate 6 per cent from January 26, 1993

There was no formal explanation of why the Bundesbank had left policy unchanged. Analysts said that the central bank was concerned by M3 monetary growth after the intervention to support the franc. The central bank might also have found it difficult to explain why it was cutting rates in August, when the failure to ease policy in July had brought the demise of the Exchange Rate Mechanism.

The Bundesbank's move was followed by announcements of no change in rates from Austria and the Netherlands. France had announced before the council meeting that its intervention rate was unchanged. Portugal trimmed its emergency lending rate at the start of the day from 12.500 per cent to 12.375 per cent.

Yesterday's Bundesbank move took many dealers by surprise, especially in the German cash market. There had been strong expectations of lower borrowing through the Discount window. When these were dashed, banks tried to raise funds in the cash market, pushing call money above 7 per cent. One London dealer expected to see some Lombard borrowing next week at 7.75 per cent.

Euromark futures also fell back. The September contract closed at 93.50, down 7 basis points on the day, and the December contract was down 4 basis points at 94.07. French franc futures were also depressed, in the belief that France's policy easing might come more slowly than dealers had expected. September Pibor was down 17 basis points at 92.99.

Sterling markets were depressed by yesterday's Bundesbank move. The December contract dropped 5 basis points to close at 94.54. In the cash market, 3 month money was fractionally higher at 5¾ per cent on the bid side and 5 13/16 per cent offered. There was a shortage of £1.15bn.

FT LONDON INTERBANK FIXING

(11.00 a.m. Aug 26) 3 months US dollars		6 months US Dollars	
bid 3⅛	offer 3¼	bid 3 3/16	offer 3 5/16

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime					
Prime rate	6	One month	2.68	Three year	4.16
Broker loan rate	5	Two month	2.98	Five year	4.82
Fed funds	3 1/16	Three month	3.05	Seven year	5.08
Fed funds at intervention	-	Six month	3.18	10-year	5.48
		One year	3.34	30-year	6.16
		Two year	3.84		

Aug 26	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	6.80-6.95	6.70-6.80	6.60-6.75	6.45-6.55	6.25-6.40	7.75
Paris	7 7/16-7 9/16	7 3/16-7 5/16	-	7 1/16-7 3/16	-	6.75
Zurich	4¾-5	4⅝-4¾	-	4 7/16-4 9/16	-	-
Amsterdam	6.56-6.62	6.52-6.60	-	6.27-6.35	-	-
Tokyo	2 13/32-2 15/32	-	-	-	-	-
Milan	9 15/16-10¼	9½-9 7/16	-	9 3/16-9⅜	-	-
Brussels	-	10½-10¾	-	8½-9¾	-	-
Dublin	6⅝-6¾	6 7/16-6 11/16	6½-6⅝	6⅜-6½	6¼-6⅜	-

LONDON MONEY RATES

Aug 26	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	5⅞	5⅝	5⅞	5⅞	5¾	5⅝
Interbank Bid	4½	5⅛	5¾	5¾	5⅝	5½
Sterling CDs	-	-	5¾	5¾	5 11/16	5 13/32
Local Authority Deps.	5¼	5½	5 13/16	5 13/16	5⅝	5⅝
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	5	5½	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	5 13/16	5 13/16	5⅝	5 7/16
Treasury Bills (Buy)	-	-	5⅝	5 9/16	5 15/32	-
Bank Bills (Buy)	-	-	5⅝	5 19/32	5 15/32	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	2.95	3.00	3.10	3.27
SDR Linked Dep. Offer	-	-	4 1/16	4¼	4 3/16	4⅛
SDR Linked Dep. Bid	-	-	4 1/16	4⅛	4 1/16	4
ECU Linked Dep. Offer	-	-	8 1/16	7 3/16	7⅛	6 3/16
ECU Linked Dep. Bid	-	-	7 15/16	7 1/16	7	6 1/16

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

WORLD STOCK MARKETS

CANADA

TORONTO

4 pm close August 26

Quotations in cents unless marked $

Total Sales 26,747,390 shares

INDICES

NEW YORK

DOW JONES	Aug 25	Aug 24	Aug 23	Aug 20	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3652.09	3638.96	3605.88	3615.48	3652.09 (25/8)	3241.95 (20/1)	3652.09 (25/8/93)	41.22 (2/7/32)
Home Bonds	108.37	109.32	109.29	109.11	109.37 (25/8)	103.49 (11/1)	109.37 (25/8/93)	54.99 (1/10/81)
Transport	1664.67	1649.71	1631.55	1633.26	1683.08 (16/4)	1453.84 (4/1)	1683.08 (16/4/93)	12.32 (8/7/32)
Utilities	254.55	252.80	251.05	251.45	254.55 (25/8)	217.14 (8/1)	254.55 (25/8/93)	10.50 (8/4/32)

DJ Indl. Day's High 3674.17 (3648.18) Low 3620.51 (3590.89) (Theoretical♠)
Day's High 3657.68 (3638.96) Low 3637.56 (3605.14) (Actual♠)

STANDARD AND POOR'S	Aug 25	Aug 24	Aug 23	Aug 20	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	460.13	459.77	455.23	456.16	460.13 (25/8)	429.05 (8/1)	460.13 (25/8/93)	4.40 (1/6/32)
Industrials♥	521.55	522.10	517.39	518.60	524.99 (10/3)	496.48 (26/4)	524.99 (10/3/93)	3.62 (21/6/32)
Financial	46.98	46.31	46.27	46.23	46.98 (25/8)	39.89 (8/1)	46.98 (25/8/93)	8.64 (1/10/74)
NYSE Composite	255.35	255.15	252.81	253.25	255.35 (25/8)	236.21 (8/1)	255.35 (25/8/93)	4.46 (25/4/42)
Amex Mkt. Value	454.42	453.20	448.51	448.70	454.42 (25/8)	395.84 (8/1)	454.42 (25/8/93)	29.31 (9/12/72)
NASDAQ Composite	733.66	736.14	730.86	730.86	735.14 (24/8)	645.87 (26/4)	736.14 (24/8/93)	54.87 (31/10/72)

	Aug 20	Aug 13	Aug 6	year ago (approx.)
Dow Industrial Div. Yield	2.82	2.86	2.87	3.17
	Aug 18	Aug 11	Aug 4	year ago (approx.)
S & P Industrial div. yield	2.48	2.52	2.53	2.62
S & P Indl. P/E ratio	25.60	25.14	25.09	29.06

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Philip Morris	7,552,100	49	$-2\frac{1}{8}$
Brit Pete	6,750,200	$57\frac{1}{4}$	$+1\frac{1}{8}$
Wal-Mart	3,652,500	$25\frac{7}{8}$	$-\frac{3}{8}$
Amer T & T	3,166,900	$60\frac{3}{8}$	+1
IRT Prop	2,779,700	$11\frac{1}{8}$	—
Gen Motors	2,767,000	$46\frac{3}{8}$	—
Merck	2,645,700	$31\frac{7}{8}$	$-\frac{3}{8}$
YPF Socied	2,541,300	$23\frac{3}{8}$	$+\frac{3}{8}$
Beverly Ents	2,504,600	$9\frac{3}{4}$	$-\frac{1}{8}$
Chrysler	2,498,100	$41\frac{7}{8}$	$-\frac{3}{8}$

TRADING ACTIVITY

† Volume Millions	Aug 25	Aug 24	Aug 23
New York SE	297.146	264.873	208.615
Amex	10.143	23.709	13.359
NASDAQ	(u)	283.379	226.931
NYSE			
Issues Traded	2,597	2,597	2,610
Rises	1,097	1,301	943
Falls	859	679	1,023
Unchanged	641	616	644
New Highs	194	147	122
New Lows	13	15	17

CANADA

TORONTO	Aug 25	Aug 24	Aug 23	Aug 20	1993 HIGH	1993 LOW
Metals & Minerals	3139.23	3130.64	3121.57	3120.60	3140.94 (16/8)	2743.31 (21/1)
Composite	4122.9	4112.20	4081.80	4077.20	4122.90 (25/8)	3275.80 (21/1)
MONTREAL Portfolio	1955.22	1957.80	1956.01	1950.06	1957.80 (24/8)	1720.97 (21/1)

Base values of all indices are 100 except NYSE All Common - 50; Standard and Poor's - 10; and Toronto Composite and Metals - 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♠ The DJ Indl. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

	Aug 26	Aug 25	Aug 24	Aug 23	1993 HIGH	1993 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1941.5	1922.6	1924.2	1932.8	1941.50 (26/8)	1495.00 (13/1)
All Mining (1/1/80)	888.8	881.7	881.4	888.1	904.50 (2/8)	584.70 (13/1)
AUSTRIA						
Credit Aktien (30/12/84)	401.71	401.49	399.02	395.66	401.71 (26/8)	300.26 (14/1)
Traded Index (2/1/91)	1008.18	1003.75	995.78	987.36	1009.70 (10/8)	712.06 (15/1)
BELGIUM						
BEL20 (1/1/91)	1325.37	1335.41	1337.12	1343.19	1365.70 (12/8)	1125.46 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	335.58	335.12	335.39	339.25	340.58 (19/8)	261.80 (4/1)
FINLAND						
HEX General (28/12/90)	1433.9	1416.0	1450.6	1456.7	1492.90 (19/8)	843.10 (22/1)
FRANCE						
CAC General (31/12/81)	590.02	585.65	579.77	580.80	590.29 (19/8)	471.24 (13/1)
CAC 40 (31/12/87)	2173.61	2159.31	2123.40	2111.37	2173.61 (26/8)	1772.21 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	735.83	740.61	734.10	734.35	746.06 (19/8)	598.92 (14/1)
Commerzbank (1/12/53)	2094.7	2109.4	2080.6	2083.6	2123.80 (19/8)	1694.30 (14/1)
DAX (30/12/87)	1901.15	1917.78	1897.89	1888.27	1938.98 (19/8)	1516.50 (13/1)
HONG KONG						
Hang Seng Bank (31/7/64)	7449.08	7365.58	7327.68	7388.42	7605.26 (18/8)	5437.80 (4/1)
IRELAND						
ISEQ Overall (4/1/88)	1746.81	1749.26	1735.47	1734.60	1754.84 (19/8)	1191.19 (11/1)
ITALY						
Banca Com. Ital. (1972)	624.21	617.25	615.88	618.68	624.21 (26/8)	448.33 (8/1)
MIB General (4/1/93)	1371.0	1356.0	1353.0	1361.0	1371.00 (26/8)	992.00 (11/1)
JAPAN						
Nikkei (16/5/49)	20591.76	20621.45	20431.84	20414.14	21076.00 (3/8)	16287.45 (25/1)
Tokyo SE (Topix) (4/1/68)	1654.36	1649.27	1642.31	1644.18	1688.04 (16/8)	1250.06 (25/1)
2nd Section (4/1/68)	2231.99	2230.47	2228.08	2233.67	2384.97 (7/6)	1651.72 (26/1)
MALAYSIA						
KLSE Composite (4/4/86)	811.78	805.72	805.47	806.26	811.78 (26/8)	614.28 (13/1)
NETHERLANDS						
CBS Tot.Rtn.Gen.(End 1983)	376.1	378.9	375.9	374.3	378.90 (25/8)	295.70 (4/1)
CBS All Shr (End 1983)	246.9	248.6	246.7	245.6	248.60 (25/8)	198.60 (13/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	929.11	931.40	921.64	939.77	979.17 (13/8)	669.93 (27/1)
PHILIPPINES						
Manila Comp (2/1/85)	1769.17	1777.77	1733.52	1796.05	1796.05 (23/8)	1270.68 (4/1)
SINGAPORE						
SES All-Singapore (2/4/75)	507.52	502.25	498.66	499.16	507.52 (26/8)	394.10 (13/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1759.0♥	1756.0	1788.0	1778.0	2098.00 (30/7)	775.00 (5/1)
JSE Industrial (28/9/78)	4623.0♥	4624.0	4617.0	4620.0	4719.00 (6/7)	4333.00 (19/4)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	695.74	705.10	715.03	727.06	777.25 (9/6)	605.93 (6/3)
SPAIN						
Madrid SE (30/12/85)	299.52	297.81	293.84	291.10	299.52 (26/8)	215.60 (4/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	1251.0	1265.3	1269.8	1291.8	1339.10 (18/8)	879.10 (28/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	1069.5	1077.9	1070.2	1064.1	1077.90 (25/8)	804.80 (11/1)
SBC General (1/4/87)	849.8	854.7	849.1	846.2	854.70 (25/8)	678.70 (11/1)
TAIWAN**						
Weighted Price (30/6/66)	3984.67	3976.69	3977.37	4006.57	5013.29 (7/4)	3088.43 (9/1)
THAILAND						
Bangkok SET (30/4/75)	961.77	952.33	943.63	849.50	998.44 (25/1)	818.84 (1/6)
WORLD						
M.S. Capital Intl.(1/1/70) $	594.8*	593.2	594.9	593.4	602.00 (18/8)	488.60 (13/1)
Euro Top-100 (26/6/90)	1122.82	1124.58	1113.55	1112.53	1132.14 (18/8)	852.73 (13/1)

**Saturday August 21: Taiwan Weighted Price: 4030.35, Korea Comp Ex: 734.39.
♥ Subject to official recalculation. *Calculated at 15.00 GMT.

Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX - 1,000. JSE Gold - 255.7, JSE 25 Industrials - 264.3 and Australia All Ordinary and Mining - 500. (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Thursday, August 26, 1993

	Stocks Traded	Closing Prices	Change on day
Fujitsu	4.2m	797	+6
Nikkatsu	3.6m	21	-3
Cosmo Oil	3.1m	840	+41
Daido Hoxan	2.5m	742	+17
Tanabe Seiyaku	2.4m	1,130	+70
Kumagai Gumi	2.2m	483	+4
Kawasaki Steel	2.1m	356	-5
Nissan Const	2.0m	869	-12
Nippon Steel	2.0m	374	
Sumitomo Mtl Ind.	1.9m	339	-2

4 pm close August 26

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
14⅝	11½	AAR Corp	0.48	3.6	68	196	13½	13¼	13⅜	-⅛
29⅛	13¾	A L Labs A	0.18	1.0	37	339	19	18⅝	18¾	-⅛
65⅞	54⅝	AMP Inc	1.60	2.5	23	1534	65⅜	64⅞	65⅛	+⅞
72¾	55½	AMR			17	4862	68	67⅛	67⅜	-¼
3⅜	1¾	ARX			11	231	3⅛	3	3	-⅛
51½	29⅞	ASA	2.00	4.6	28	706	45⅛	43¾	43¾	-1⅜
30¾	22⅝	Abbott Lab	0.68	2.6	16	6371	26¾	25¾	26⅝	+⅞
12⅝	9½	Abitibi Pr	0.50	5.2	4	z100	9⅝	9⅝	9⅝	
15¼	8¾	Acpmcsto			44	31	14⅝	14⅜	14⅜	-¼
36	25½	ACE Ltd	0.40	1.2		2001	34½	34¼	34⅜	
12	10¾	ACM Gvt In	0.96	8.6		258	11¼	11⅛	11⅛	
10	9⅛	ACM GvOpp	0.80	8.2		23	9⅞	9¾	9¾	-⅛
9⅞	8¾	ACM Gvt Sp	0.80	8.6		580	9⅜	9¼	9¼	
11⅝	10½	ACM Gvt Se	0.96	8.8		510	11	10⅞	10⅞	
11⅝	9⅝	ACM Man	1.08	9.4		331	11½	11⅜	11½	+¼
9⅜	8⅝	ACM Managd	0.72	7.7		108	u9⅜	9¼	9⅜	
12⅜	7¾	Acme Cleve	0.44	4.5	13	158	9¾	9¾	9¾	-⅛
9¼	6½	Acme Elect			49	107	7	7	7	
25⅜	18⅜	Acordia	0.44	1.8	14	46	25	24⅞	24⅞	
16	10⅞	Acuson			32	227	11¾	11⅝	11⅝	-⅛
21¾	19	Adams Expr	0.48	2.4	1	311	19¾	19⅝	19¾	-¼
66¼	45½	Ad Micro	3.00	4.8		103	62⅝	62	62⅝	-¾
32¾	17⅝	Ad Micro P	3.00	9.8	12	10259	31	30¼	30¾	+⅛
7¾	5½	Advest Grp	0.16	2.3	12	286	7⅛	6⅞	6⅞	
24¾	16⅛	Advo Inc	0.08	0.5	19	23	17¾	17½	17¾	+¼
49⅜	41⅛	Aegon ADR	2.95	6.1	9	63	48⅛	47¾	48⅛	
60½	43⅜	Aetna Lf	2.76	4.6	41	2403	59½	59	59⅝	+⅝
14½	11½	Affil A	0.26	1.8	30	2196	14¼	14⅛	14⅛	-⅛
33⅞	28½	Aflac	0.40	1.2	16	654	33¼	32½	33¼	
22⅛	16¾	Ahmanson	0.88	4.5	23	1389	20	19⅝	19⅝	-¼
7¾	4	Aileen Inc			5	64	4⅜	4¼	4⅜	
48½	37½	Air Pr Chm	0.92	2.1	17	1900	44⅛	43⅝	43¾	-⅛
26½	18⅛	Airbne Frt	0.30	1.4	28	525	22⅛	21⅝	22	-¼
37½	18¼	Airgas Inc			40	98	36⅝	36⅛	36¼	-¼
15⅜	10½	Airlease	1.60	10.8	11	20	14⅞	14⅝	14⅞	+¼
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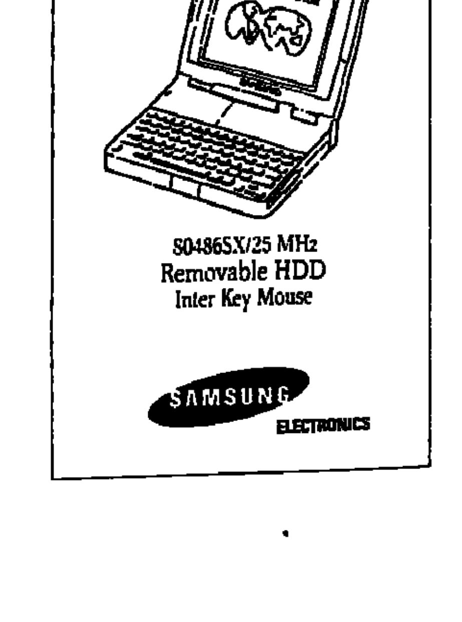


Continued on next page

4 pm close August 26

NYSE COMPOSITE PRICES

Continued from previous page

- S -

1993 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
22	15½	S Anita Rt	1.36	7.8	15	131	17½	17¼	17½	+⅛
20¾	14⅞	SCOR US Cp	0.32	2.0	166	246	15¾	15½	15¾	+¼
29¾	20	SPS Techno	1.28	4.6	20	73	27⅞	27¾	27⅞	+⅛
14½	12⅞	Sabine Rt	1.80	12.5	10	25	14⅜	14¼	14⅜	
13¾	8⅞	Safecard	0.20	1.6	12	87	12⅞	12⅝	12¾	+⅛
23½	16⅞	Safeg'd Sc			10	23	22	21⅝	21¾	-⅛
24¾	14⅛	SafetyKln	0.36	2.4	23	1731	15½	15	15⅛	-⅛
18¾	10⅞	Safeway			28	2042	18⅝	18⅛	18½	+⅛
4⅛	2	SafewayWBB				328	u4⅛	4	4	
55	37½	StJoePaper	0.20	0.4	145	358	49½	48	49½	+⅛
37¾	31	StJosLtP	1.76	4.7	15	26	u37⅞	37⅝	37¾	+⅛
91	75	St Paul's	2.80	3.1	14	887	u91⅜	89⅝	91⅛	+⅝
11⅜	7⅞	Salant Crp			4	64	8¾	8⅝	8¾	
75¼	39⅞	Sallie Mae	1.20	2.6	10	1596	47	45¾	46⅝	+¼
14¼	13	Salomon Sr	0.32	2.3		327	14⅛	14	14	-⅛
50	34	SalomonInc	0.64	1.3	12	3159	49⅞	49⅜	49¾	-⅛
27	23¾	SanDgo G&E	1.48	5.5	14	200	26⅞	26¾	26⅞	+⅛
4⅜	3½	SantaFeEDv	0.40	10.0	40	23	4	3⅞	4	
11⅞	9⅛	SantaFeESt	0.16	1.6	506	576	10¼	10	10⅛	+⅛
40¾	35¾	SantaFePac	2.80	7.5	13	88	37½	37⅛	37½	+⅛
19	12¾	SantaFPac	0.10	0.5	12	2539	18¾	18½	18⅝	-⅛
31⅛	21	Sara Lee	0.58	2.2	18	9758	26⅛	25⅝	26⅛	+⅜
50¾	40⅛	Scana Corp	2.74	5.4	15	272	u50¾	50⅝	50¾	+⅛
24⅞	21½	Scecorp	1.42	5.8	15	1300	24⅝	24½	24⅝	
38⅞	23⅞	SchererRP			23	162	28¼	27⅞	28	
70⅞	51¾	SchergPl	1.80	3.0	15	9800	61⅜	59¾	60⅞	+⅞
68⅞	21⅞	Schl'berger	1.20	1.8	25	3229	68½	65¾	68	+⅜
33⅝	16½	SchwabC	0.20	0.6	19	2606	33½	32¼	33	+¾
7¾	5⅝	Schweitzer			44	124	u7¾	7⅛	7⅝	+½
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- T -

- U -

- V -

- W -

- X - Y - Z -

Price data supplied by Telekurs

AMEX COMPOSITE PRICES

4 pm close August 26

NASDAQ NATIONAL MARKET

4 pm close August 26

- A - - B - - C - - D - - E - - F - - G - - H - - I - - J - - K - - L - - M - - N - - O - - P - Q - - R - - S - - T - - U - - V - - W - - X - Y - Z -

AMERICA

Dow slips from peak on early profit-taking

Wall Street

US stock markets slipped from their record highs yesterday morning on heavy profit-taking, particularly in secondary stocks, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was down 8.11 at 3,643.98. The more broadly based Standard & Poor's 500 was 0.52 easier at 459.61, while the American SE composite was 1.21 lower at 453.21. For the second consecutive day, the Nasdaq composite underperformed the rest of the markets, relinquishing 4.69 to 723.97. Trading volume on the New York SE came to 134m shares by 1 pm.

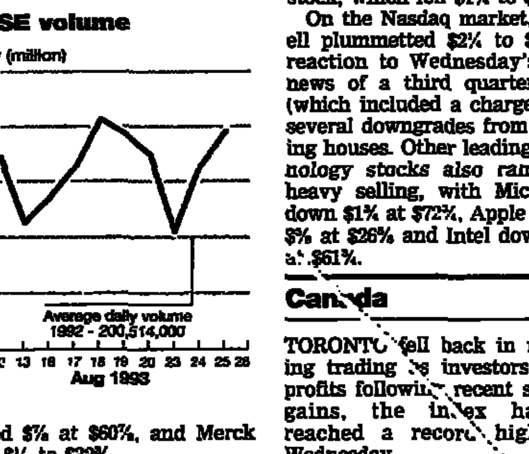
After posting a 45-point advance over the previous two trading days, no one was surprised yesterday morning when the equity markets failed to build on those gains. All year, profit-takers have been ready to move in every time stocks have reached record highs.

The day's economic news – an 8,000 rise in weekly initial jobless claims – had little impact upon the markets, although the data suggested that conditions in the labour market remained weak. Bond prices were higher, pushing long-dated yields to new record lows; but this was also shrugged off by equity investors.

Buyers sought out certain sectors, and continued to rotate between cyclicals, consumer, cars, pharmaceutical, technology, transportation, and oil stocks.

Drug stocks were among the leaders. Pfizer climbed $1⅜ to $63⅝, Bristol Myers-Squibb put on $1 at $55⅝, Schering Plough added $⅝ at $60⅝, and Merck rose $½ to $32⅝.

NYSE volume



Selected oil stocks were also in demand. Exxon firmed $¼ to $65⅞, Texaco rose $¾ to $65⅝, Mobil added $¼ at $78⅝ and British Petroleum ADRs climbed $1⅛ to $58⅝.

Cyclical stocks eased with the wider market. Caterpillar dropped $⅛ to $82, International Paper slipped $¼ to $67⅞, and General Electric fell $¼ to $98⅝. Car stocks, however, were firmer, led by General Motors, which rose $1 to $47⅝. Certain technology stocks were also out of favour: Compaq fell $1⅛ to $52½, Motorola $1⅝ to $93¼ and Texas Instruments $2 to $80¼.

Disappointment that Philip Morris did not raise its dividend continued to hurt the stock, which fell $1¼ to $47⅝.

On the Nasdaq market, Novell plummetted $2¼ to $19 in reaction to Wednesday's late news of a third quarter loss (which included a charge) and several downgrades from broking houses. Other leading technology stocks also ran into heavy selling, with Microsoft down $1⅞ at $72⅞, Apple down $⅝ at $26⅝ and Intel down $¾ at $61⅞.

Canada

TORONTO fell back in morning trading as investors took profits following recent strong gains, the index having reached a record high on Wednesday.

By noon the TSE-300 composite index was down 20.31 at 4,102.61 in volume of 29m shares. Among the sub-indices, financial services was off 20.61 at 3,042.07 and metals and minerals by 36.73 at 3,102.50.

Actives included Bombardier, up C$⅛ at C$14⅞, and Placer Dome, off C$⅜ at C$27⅞.

EUROPE

Conflicting reactions to Buba decision

THE Bundesbank's decision not to cut interest rates gave bourses one reason to backtrack yesterday, although Paris and Madrid managed to ignore it, *writes Our Markets Staff.*

In parallel, there was a note from Kleinwort Benson which, this year, has heavily overweighted continental Europe at the expense of the US. Yesterday KB's chief strategist, Mr Albert Edwards, raised his US weighting from 23 to 30 per cent, and dropped continental Europe by seven percentage points to 16 per cent.

Since the beginning of the year, noted Mr Edwards, shares on the continent have risen by 25 per cent, against 5 per cent for the US. However, he said, US earnings are already some 25 per cent off their lows; earnings surprises so far in 1993 have been on the upside; and, on KB's valuation ratios, US equities now look cheap to fair value.

FRANKFURT weakened both during market hours, losing hope about interest rates as the DAX index closed 16.63 lower at 1,901.15, and in the post-bourse where the Ibis indicated DAX dropped another 10.50 to 1,890.65.

Turnover rose from DM6.6bn to DM6.8bn. Prominent losers in share price terms included the bourse's top three stocks, Daimler, Deutsche Bank and Siemens, and the three blue chips which put out interim reports yesterday, BASF, Bayer and Volkswagen.

Five of those six, noted Mr Jens Wiecking of Merck Finck in Düsseldorf, were major exporters, and vulnerable to weakness in the dollar promoted by German interest rate policy. The interim reports, although grim, were much as expected; Volkswagen, down DM3.70 to DM367.30 on the session and accelerating with a DM6.80 drop to DM360.50 in the post-bourse, seemed to suffer more from cynicism about its recovery prospects.

Siemens fell DM9.60 to DM666.40 on the session and by DM6.90 to DM659.50 in London after hours. It had been relatively strong recently, and seemed to attract forward selling from the DTB.

ZURICH ended lower as profit-taking evident earlier in the session increased slightly after the Buba decision. UBS bearers, SFr9 lower at SFr1,184, topped the active list and Nestlé fell SFr16 to SFr1,101 as the blue-chip, SMI index dropped 27.2 to 2,475.2.

FT-SE Actuaries Share Indices

August 26 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1308.74	1305.48	1305.46	1302.62	1300.34	1299.34	1298.22	1298.46
FT-SE Eurotrack 200	1386.27	1383.26	1383.23	1379.96	1379.44	1379.45	1380.49	1384.05

	Aug 25	Aug 24	Aug 23	Aug 20	Aug 19
FT-SE Eurotrack 100	1310.93	1296.82	1291.83	1297.31	1304.07
FT-SE Eurotrack 200	1385.62	1375.46	1374.00	1380.12	1385.51

Base value 1000 (26/10/90) High/day: 100 - 1308.74; 200 - 1386.27 Low/day: 100 - 1298.85 200 - 1377.58

PARIS shrugged off the news from Germany, only falling slightly in an immediate reaction, before climbing steadily during afternoon trading.

The CAC-40 index closed up 14.30 at 2,173.61, a new high for the year, after a high of 2,180.98 and a low of 2,144.17. Turnover remained good at FFr4.1bn.

Brokers at the Paris office of James Capel reported a growing belief that the French authorities would now act quickly to bring domestic interest rates down, particularly as the franc again came under pressure in the currency exchanges. A decision could come as soon as the weekend, they added, noting that the 5-10 day rate was another candidate for trimming from its present 10 per cent level to about 7.75 per cent.

Among individual issues Peugeot was one of the few losers on the day, down lost FFr8 to FFr680 in reaction to disappointing results from Renault.

AMSTERDAM fell back by over 1 per cent but dealers were not excessively worried that interest rates had been left unchanged. A weaker dollar also contributed to declines in those stocks with a heavy US exposure.

The CBS Tendency index slipped 1.5 to 127.5, but off the day's low of 127.3.

Unilever dropped Fl 3.30 to Fl 195.90 in reaction, some brokers said, to news that Philip Morris of the US had failed to increase its dividend.

Among the day's half year results, Internatio-Muller, the trading and transport group, added Fl 5.50 to Fl 68.50 following good figures, while Hagemeyer, the trading group, gained Fl 2.30 to Fl 98.30 after it saw a 20 per cent rise over the period.

KNP BT, the paper group, put on 40 cents to Fl 36.80 as its first half results also exceeded expectations.

MADRID tried to apply the brakes, the general index losing nearly three points early in the day; but its momentum reasserted itself and the index actually closed 1.71 higher at its third consecutive 1993 high of 299.52.

STOCKHOLM lost ground in spite of better-than-expected interim results from Volvo and Skanska. The Affärsvärlden general index lost 14.3 to 1,251.0 in turnover of SKr2.0bn.

Volvo B shares rose SKr8 to SKr454 and Skanska SKr4 to SKr152.

Corporate recovery supports NZ equities

The economic outlook also looks good ahead of the election, writes Terry Hall

Soaring confidence in the economic outlook and unexpectedly strong corporate profits have led to a rally in New Zealand equities.

The NZSE-40 capital index is building around the 2,000 to 2,030 level that it last achieved in January 1990. However, it is still well below the 3,800 mark set in 1987, and for much of the current year, until June when the present rally began, traded within 100 points of its January low of 1,495. Since Monday, when the index registered a 3½-year high of 2,027.37, it has fluctuated, closing yesterday at 1,993.58.

Earlier this year the main activity on the market was being generated from overseas, with steady buying in the larger companies, particularly Brierley Investments, and Fletcher Challenge, the forestry and energy group. As a result an estimated 40 per cent of the shares in these companies are now held offshore.

At the same time, locally based institutions tended to be aggressive sellers of local stocks as they deliberately sought to increase their overseas exposure.

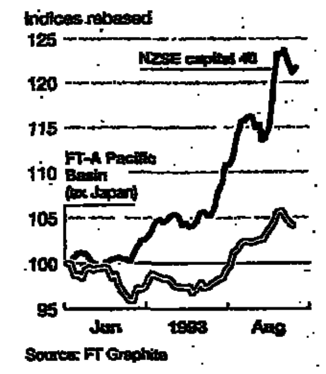
However, sentiment changed sharply from June following a series of economic stories which showed unexpectedly strong growth in the domestic economy and good export growth leading to a continuing strong balance of payments surplus. Sharp falls in interest rates saw local investors seeking alternative investments, and higher yielding equities began to look underpriced.

Manufacturers, which had been strong critics of government reform policies over the past eight years, reported that, because of low inflation – currently around 2 per cent – and falling debt and wage costs, they were finding it possible to cope with the rising strength of the New Zealand dollar.

Opinion polls also showed a strong rise in support for the pro-business National government, which now expects confidently to win the November general election on the promise of offering consistent policies. Ms Ruth Richardson, the finance minister, was able to portray the July budget, with its forecast reductions in the deficit and continuing economic growth, as a vindication of her determination to stick with often unpopular measures in the national interest.

In August, she introduced a new tax regime to encourage overseas equity investment which, brokers say, has spurred US interest in New Zealand. US investment has risen sharply following publicity there about the successes New Zealand has had in implementing policies favoured by the so-called Chicago monetarist school of economists.

New Zealand



Source: FT Graphite

Bell Atlantic and Ameritech now control Telecom Corporation, International Paper manages Carter Holt Harvey, the largest forestry company, Wisconsin Central owns the national railway, New Zealand Rail, and other US companies have substantial investments in plantation forestry, and manufacturing.

Brokers have reported the return of many investors who had sworn that they would never touch a share again after the 1987 crash. Those returning have found that the stock exchange has reformed itself, with prompt settlement procedures and tougher listing requirements.

Returning investors have also found most companies in strong financial shape. Many have low debt and strong cash flows, such as Telecom, or no debt at all, such as Ceramco and Steel and Tube, and are reporting strong profits rises. Telecom's surprisingly strong profits recovery has seen it add NZ$1.20 in under a month, closing yesterday at NZ$3.98.

The drive to cut debt extended to Fletcher Challenge, which has been the second major stock to lead the rally, the first being Telecom. Fletcher Challenge's apparent reluctance to sell assets saw its price marked back last year from NZ$3.80 to below NZ$1.60 by October.

The group has since worked hard to re-establish itself, and cut its debt. Last week it reported better than expected results. This saw its shares bounce back to above NZ$3.83, although it has eased back recently on profit-taking, to close yesterday at NZ$3.68.

ASIA PACIFIC

Pacific Basin features a clutch of new record highs

Tokyo

A FALL in bond yields and lower short-term rates in the afternoon prompted late index-linked buying, and share prices firmed on purchases by arbitrageurs and investment trusts, *writes Emiko Terazono in Tokyo.*

The Nikkei average gained 70.31 at 20,591.76 after a day's high of 20,594.56 and low of 20,482.95. The index moved within a narrow range on light profit-taking and technical buying, as most investors waited for the auction results for East Japan Railway, announced after the close.

Volume, on the last trading day for August delivery, shrank to 190m shares from 213m. Advances outscored declines by 597 to 341, with 213 issues unchanged. The Topix index of all first section stocks put on 5.09 at 1,654.36 and, in London, the ISE/Nikkei 50 index edged up 1.17 to 1,262.85.

The yield on the No 145 10-year benchmark fell 6.5 basis points to 4.075 per cent. Traders said equity prices were supported by underlying speculation of a cut in the official discount rate next month. On the other hand, the bleak outlook for imminent economic prospects and an upturn in corporate profits was preventing investors from committing their funds.

In the oil sector, Cosmo Oil forged ahead Y41 to Y940. The government's new policy to promote the use of solar power generators among domestic households pushed up Daido Hoxan, a solar battery manufacturer, by Y17 to Y742.

Drug issues were firm, led by Tanabe Seiyaku which gained Y70 at Y1,130 on recommendations from a Japanese broker. Yamanouchi Pharmaceutical and Sankyo both rose Y20 to Y2,400 and Y2,450 respectively.

Hopes of government deregulation of the transportation industry supported warehouses: Mitsubishi Warehouse and Transportation appreciated Y60 to Y1,890 while Mitusi Soko advanced Y15 to Y950.

Telecommunications-related issues posted further gains on hopes of government assistance for the country's telecom infrastructure. Nippon Telegraph and Telephone climbed Y5,000 to Y943,000 and Fujitsu, the day's most active stock, rose Y6 to Y797.

Insurers were subjected to profit-taking: Tokio Marine & Fire dipped Y10 to Y1,340.

In Osaka, the OSE average added 50.29 at 22,509.56 in volume of 55.6m shares.

Roundup

THREE NEW highs, and a recovery in Hong Kong, adorned a strong region.

HONG KONG's turnover was still thin, down from HK$3.73bn to HK$3.36bn, as the Hang Seng index improved 183.50 to 7,449.08 after a fall of some 300 points from its record close a week earlier.

HSBC, weakened in recent days by disappointing results from its Hang Seng Bank subsidiary, topped the actives list and recovered HK$3 to HK$83.50. Hang Seng Bank rose HK$1.50 to HK$55.50.

After the close, Swire Pacific reported a drop in interim profits. This took the market down about 70 points in London, but it ended only 25 lower after news of a land reclamation project.

SINGAPORE's Straits Times Industrial index finished 34.10 up at a record high of 2,010.19, driven by institutional buying of index-linked stocks. Volume here rose from 263.06m to 277.28m shares.

KUALA LUMPUR peaked for the same reason, the KLSE composite index closing 6.06 ahead at 811.78 for its second consecutive 1993 high.

JAKARTA soared to a new peak, the JKSE index ending 7.07 stronger at 405.56. Astra International led the rise, climbing Rp1,500 to Rp17,500 in moderate volume on bullish speculation about its results, and on rights issue rumours.

AUSTRALIA decided that it liked Wednesday's News Corp results after all, and the shares rose 33 cents to A$9.65 as the All Ordinaries index advanced 18.9 to 1,941.5. Turnover was A$478.2m. Market leader BHP moved up 20 cents to A$15.78.

BANGKOK saw active buying of banks as interest shifted from speculative towards fundamental attractions. The *SET* index put on 9.44 at 961.77 in turnover of just under BT8bn.

KARACHI declined on news of US sanctions against Pakistan and China over alleged arms-control violations, the *KSE index finishing 10.39* lower at 1,315.65, after touching 1,308.81.

SEOUL moved against the trend with its fourth consecutive loss, the composite index weakening 9.36 to 695.74 in an atmosphere of depressed inertia. Turnover dropped from Won252.8bn to Won212.2bn.

SOUTH AFRICA

STRONG foreign demand for De Beers, up R2.25 at R89.25, boosted activity, and the overall index rose 10 to 4,055. The golds index ended 3 firmer at 1,759, Vaal Reefs adding R5 at R353, and the industrial index eased 1 to 4,623.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY AUGUST 25 1993								TUESDAY AUGUST 24 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)
Australia (69)	145.42	+0.9	145.43	96.43	127.62	143.68	-0.1	3.49	144.10	142.76	94.46	125.98	143.86	146.94	117.39	129.36
Austria (17)	169.11	+0.0	169.12	112.14	148.41	148.57	+0.6	1.31	169.09	167.52	110.84	147.82	147.68	189.29	131.16	149.76
Belgium (42)	149.50	-0.8	149.51	99.12	131.20	131.43	-0.1	4.36	150.65	149.25	98.75	131.70	131.52	156.76	131.19	144.22
Canada (108)	128.82	+0.7	128.83	85.41	113.04	122.57	+0.3	2.75	127.96	126.78	83.88	111.86	122.22	130.38	111.41	125.80
Denmark (33)	220.59	-0.7	220.60	146.27	193.59	207.24	-0.5	1.09	222.07	220.01	145.57	194.14	208.18	227.15	185.11	222.22
Finland (23)	111.84	-2.3	111.84	74.16	98.15	137.28	-1.3	0.88	114.44	113.38	75.02	100.05	139.15	118.56	65.50	80.00
France (97)	165.50	+1.5	165.51	109.74	145.23	152.13	+1.6	3.04	163.00	161.49	106.84	142.48	149.70	167.36	142.72	155.37
Germany (60)	123.42	+0.5	123.42	81.85	108.31	108.31	+0.9	1.94	122.78	121.63	80.49	107.33	107.33	124.94	101.59	114.42
Hong Kong (55)	286.75	-0.9	286.78	190.15	251.67	285.40	-0.8	3.43	289.32	286.63	189.65	252.94	287.82	301.61	218.82	225.89
Ireland (15)	169.35	-0.4	169.36	112.29	148.61	171.42	+0.6	3.25	170.01	168.43	111.44	148.62	170.38	171.98	129.28	157.26
Italy (70)	77.16	+0.5	77.16	51.16	67.71	92.04	+0.6	1.77	76.81	76.10	50.35	67.15	91.45	77.16	53.78	63.86
Japan (470)	156.17	-0.7	156.18	103.56	137.07	103.56	+0.5	0.80	157.26	155.80	103.08	137.49	103.08	165.91	100.75	102.39
Malaysia (69)	382.77	+0.3	382.79	253.80	335.90	375.91	+0.3	1.82	381.71	378.16	250.20	333.68	374.73	382.77	251.66	229.43
Mexico (19)	1756.88	+0.0	1756.99	1164.97	1541.82	5970.10	-0.1	0.83	1757.05	1740.72	1151.75	1536.03	5973.55	1757.05	1410.30	1260.03
Netherland (24)	181.12	+0.5	181.13	120.10	158.95	156.86	+0.9	3.44	180.16	178.48	118.09	157.50	155.49	181.12	150.39	165.27
New Zealand (13)	61.77	+0.0	61.77	40.96	54.21	58.81	-0.9	3.79	61.78	61.21	40.50	54.01	59.37	62.98	40.56	42.11
Norway (22)	170.62	+0.5	170.63	113.14	149.74	169.69	+1.0	1.55	169.71	168.14	111.25	148.37	167.99	177.31	137.71	140.26
Singapore (38)	280.97	+0.8	280.99	186.31	246.57	208.33	+0.9	1.65	278.80	276.21	182.75	243.72	206.53	281.13	207.04	192.25
South Africa (60)	197.81	-0.5	197.82	131.16	173.59	201.91	-0.4	2.56	198.78	196.93	130.30	173.77	202.68	215.29	144.72	186.01
Spain (43)	137.52	+0.9	137.53	91.19	120.68	141.06	+1.3	4.04	136.30	135.04	89.35	119.16	139.30	137.52	115.23	135.95
Sweden (36)	182.75	-0.9	182.76	121.18	160.39	218.45	-0.6	1.54	184.46	182.75	120.92	161.26	219.76	196.23	149.70	176.67
Switzerland (50)	135.55	+0.4	135.56	89.89	118.97	124.75	+0.8	1.74	135.01	133.76	88.51	118.04	123.75	135.55	108.91	110.44
United Kingdom (218)	185.96	+0.0	185.97	123.30	163.18	185.97	+0.9	3.77	186.01	184.28	121.92	162.59	184.28	189.35	162.00	179.50
USA (520)	188.03	+0.1	188.04	124.68	165.02	188.03	+0.1	2.72	187.93	186.19	123.20	164.30	187.93	188.03	175.38	168.40
Europe (750)	155.24	+0.3	155.25	102.94	136.25	149.03	+0.9	3.00	154.76	153.32	101.45	135.30	147.72	156.45	133.92	144.56
Nordic (114)	174.22	-0.9	174.23	115.52	152.89	183.01	-0.6	1.36	175.88	174.25	115.29	153.76	184.02	183.23	142.13	162.10
Pacific Basin (714)	160.12	-0.6	160.13	106.18	140.52	110.67	+0.4	1.07	161.09	159.59	105.60	140.83	110.26	168.80	105.89	107.19
Euro-Pacific (1464)	158.01	-0.2	158.02	104.76	138.66	126.09	+0.6	1.85	158.38	156.91	103.81	138.45	125.36	162.72	117.26	122.30
North America (628)	184.34	+0.1	184.35	122.25	161.81	183.56	+0.1	2.72	184.20	182.49	120.76	161.06	183.45	184.34	171.51	165.73
Europe Ex. UK (532)	135.78	+0.5	135.79	90.05	119.19	127.53	+0.9	2.49	135.06	133.80	88.55	118.09	126.45	135.92	112.51	123.39
Pacific Ex. Japan (244)	199.33	+0.1	199.34	132.19	174.95	184.27	-0.3	3.04	199.21	197.36	130.61	174.17	184.78	202.66	152.70	154.35
World Ex. US (1651)	158.44	-0.2	158.45	105.07	139.05	128.26	+0.5	1.87	158.78	157.30	104.09	138.81	127.56	162.78	118.51	123.77
World Ex. UK (1953)	165.49	-0.1	165.50	109.74	145.25	142.93	+0.3	2.02	165.70	164.18	108.62	144.87	142.50	167.77	134.22	133.94
World Ex. So. Af. (2111)	167.21	-0.1	167.22	110.89	146.76	146.31	+0.4	2.19	167.40	165.84	109.74	146.35	145.77	169.60	137.29	137.62
World Ex. Japan (1701)	175.21	+0.1	175.23	116.19	153.79	171.38	+0.3	2.82	174.95	173.33	114.69	152.97	170.83	175.21	157.47	157.89
The World Index (2171)	167.30	-0.1	167.31	110.94	146.83	146.79	+0.4	2.19	167.49	165.94	109.80	146.44	146.26	169.68	137.32	137.88

Latest prices were unavailable for this edition.

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